Public Service Reform and the Role of the Auditor General

by

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ABSTRACT

The objective of this thesis is to study the involvement of the Auditor General in the proposal, implementation and review of major public service reform initiatives during a period spanning nearly forty years, from the early 1960s to 2001. This period began with the Glassco Commission and concludes at the end of the term in office of Auditor General Denis Desautels in 2001. It has been demonstrated throughout this work that the role of the OAG has varied, from proponent to critic, from instigator to reviewer. In the past forty years the OAG’s mandate has changed to meet the requirements of critical analysis of government operations and this has been aptly demonstrated in the office’s relationship to the issue of public service reform.

It has been argued that many of the problems facing the public service are cultural in nature. Reform initiatives have taken on a number of various forms with each addressing a different set of priorities. However, there has been a great deal of consistency in the cultural values that these initiatives articulate. Throughout this thesis attention has been paid to values. Values define a culture and cultural change is required within the Canadian federal public service. How and when this cultural change will occur is but one question to be answered.

During the period under consideration in this thesis the government undertook several significant public service reform initiatives. Those examined in this thesis include: The Royal Commission on Government Organization, The Special Committee

The involvement, or interest, of the Auditor General's Office on the subject of public service reform is generally articulated through the means of its annual reports to Parliament although there have been supplementary undertakings on this issue. Such material relevant to this study include: *Towards Better Governance: Public Service Reform in New Zealand (1984-94) and its Relevance to Canada* and *Reform in the Australian Public Service*. Annual reports to Parliament include: "Values, Service and Performance," (1990), "Canada's Public Service Reform and Lessons Learned from Selected Jurisdictions," (1993), "Maintaining a Competent and Efficient Public Service," (1997), and "Expenditure and Work Force Reduction in Selected Departments," (1998).
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THE AUDITOR GENERAL AND PUBLIC SERVICE REFORM

CHAPTER I

INTRODUCTION

The focus of this thesis is the involvement of the Auditor General in the proposal, implementation and review of major public service reform initiatives. The primary purpose of this research is to enhance our understanding of the complexities and challenges of public service reform from the perspective of the Office of the Auditor General (OAG). This analysis will be primarily concerned with the role of the OAG in relation to public service reform programs of the federal government during the period 1962-2001 as this period witnessed not only a review of the OAG’s mandate but also significant initiatives in the field of public service reform.

Historical Overview

The Canadian public’s perception of the role of the Auditor General is based primarily on media attempts to highlight instances of public mismanagement. Media coverage of the presentation of the Auditor General’s reports to Parliament generally leaves the public with the perception that the Auditor General’s role is strictly one of identifying mistakes of government. This perspective neglects another fundamental aspect of the OAG’s current mandate which involves the presentation of policy advice intended to enlighten and inform public servants, policy makers, politicians and the public. This thesis is concerned with how and why the office has fulfilled this role with reference to the issue of public service reform.
When the Office of the Auditor General (OAG) was established in 1878 it was given the responsibility to review and examine the public accounts for Parliament. According to this traditional role the Auditor General would:

report to the House of Commons any expenditures or transactions which, in his opinion, ran counter to the wishes of Parliament. It is and always has been up to the House of Commons to decide what, if anything, ought to be done about his report.1

This relationship to Parliament suggests that the OAG’s primary role is simply the provision of information and that the Office intentionally has not received, or sought, the authority to enforce its recommendations. That responsibility remains, in our system of representative government, the purview of ministers and parliamentarians.

In its earliest years the OAG was occupied in reviewing and reporting on every government expenditure in a total budget of approximately $14 million in 1878. A hundred years later the government annual accounts represented expenditures of well over $50 billion.2 With such an increase in the magnitude of government operations, complete auditing became neither practicable nor required. As a result the office was forced to become selective both in what it studied and how it conducted its business operations.

Review of the Mandate: The Wilson Committee

An extremely important point in the history of the Office for the purpose of this


2Ibid., 10.
thesis was the passage of *The Auditor General's Act (1977)* which followed a formal review of its mandate by the Independent Committee for the Review of the Office of the Auditor General of Canada (The Wilson Committee). On March 27, 1975 this committee presented its report which provided a comprehensive analysis of the state of the OAG at this point in time, and serves as an important benchmark in this research.

The review committee had been tasked to inquire into, and report upon, the responsibilities of the OAG and its relationships with government departments and agencies. It was also to review the reporting procedures of the OAG and assess statutory and other requirements to ensure it conducted its responsibilities with due independence. The inquiry was to review the responsibilities of the OAG with respect to current conditions and requirements while remaining cognizant of the practices of other jurisdictions such as provincial and other Westminster governments. This review made the rather significant observation that the role of the OAG was, at that time, loosely defined. The report noted that:

> In view of its long history, it might be expected that by now the constitutional and operational role of the Office would be well defined and generally understood. In fact, during the past decade and particularly between 1968 and 1972, the responsibilities and relationships of the Auditor General have become the source of considerable questioning and controversy. Indeed, it is apparent that many individuals both within and outside the Government, do not fully understand the extent of his present responsibilities and certainly do not agree as to what they should be.\(^3\)

The OAG's traditional role was to audit probity in the use of financial and material resources. Following the passage of the 1977 legislation it initiated reporting

on non-financial and value-related topics commonly referred to as Value for Money Auditing (VFM). This mandate enlargement concerns some critics who argue that the OAG's "opinions can exert pressure on officials and ministers, creating a dilemma for the doctrine of responsible government, as the OAG has neither a responsible elected leadership, nor a scientific methodology, nor a limited sphere of action." Critics argue that "while the Office views itself as an institution for the administration of public affairs, for some it represents a manifestation of the corruption of our constitutional practice of responsible government."

In contrast to this negative perception of its role the OAG itself recognizes its independence as a key enabling factor in its operations. The Office's high degree of independence arises from its unique relationship to Parliament and allows it to act decisively to encourage accountability and improvements in government operations. In point of fact, it is well placed to review government operations and to provide valuable insight into the complexities of governing Canada. As a result it is possible for the OAG to offer a unique perspective on the one issue with which we are concerned, in this thesis - the issue of public service reform.

The Institute On Governance's 1998 paper on Auditing for Accountability: The

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Role of the Auditor General states that the OAG has a crucial role in the accountability regime of Canadian parliamentary government but suggests that it must properly recognize the respective responsibilities of ministers, their government and public servants. The OAG must acknowledge the limits of performance auditing; take note of the constraints imposed on public servants in the management of programs and resources; and make assessments of performance from the perspective of public management as governance. These concerns are fundamental to the issue of public service reform and they raise concerns relevant to the Auditor General's role.

The Relation of the Auditor General to Public Service Reform

In studying the relationship of the Auditor General to the issue of public service reform it is necessary to turn our focus to a number of significant occurrences in the history of the reform movement. The Royal Commission on Government Organization, more commonly referred to as the Glassco Commission was completed in 1962, and preceded VFM auditing; therefore, the Auditor General had relatively little to say about it initially. It has however become an important element in the OAG's analysis of more recent initiatives. Its relevance to this study is due to its importance to the issue of government reform generally given the mandate of the commission and the scope of its analysis. A discussion of public service reform in Canada would not be complete without including this period in the history of the Canadian federal government. Subsequent to the Glassco Commission there has been a number of other significant
initiatives concerned with the issue of public service reform.

*The Royal Commission on Financial Management and Accountability* (The Lambert Commission) was undertaken in 1977 concurrent with the rethinking of the OAG's mandate. This Royal Commission was appointed as a result of the unprecedented demands being made on government resulting from the enlargement of government activities and the resulting growth in responsibilities and programs.

In 1977 *The Report of the Special Committee on the Review of Personnel Management and the Merit Principle* (The D'Avignon Commission) was established to examine staffing, appointments and training in the public service. While not specifically a reform initiative, it represents a significant contribution to the discussion of public service values.

In 1986 *Increased Ministerial Authority and Accountability* (IMAA) was launched as an initiative designed to increase the authority of ministers and senior managers and allow them greater flexibility in meeting institutional objectives.

Public Service 2000 (PS 2000), undertaken in 1989, found the Office at the centre of the debate around public service reform. Chapter Three will discuss the impact that the OAG had on Public Service 2000. At no time during the process of public service reform has the Auditor General's role so significant as it was in response to this specific initiative.

Program Review (1995) affected all government operations and negatively affected implementation of PS 2000 objectives. Finally, La Relève, will be examined as it is one of the means by which cultural change within the public service is currently
being attempted.

Rationale for VFM Auditing

The OAG has been active as both a proponent and as a critic of public service reforms. This apparent contradiction will be examined in terms of its stated mission and mandate. It can be argued that a thorough understanding of these two aspects allows one to place the OAG’s role in relation to public service reforms in its proper context. The OAG has conducted a number of studies on public service reforms in Canada and in other jurisdictions. Most of this work is contained in various annual reports to Parliament by the OAG although some work, such as Toward Better Governance: Public Service Reform in New Zealand (1984-94) and its Relevance to Canada was directed towards a wider audience of academics, public servants, the public and policy makers. Much can be learned from such experiences and they will provide qualitative data for our analysis.

The mission statement of the OAG states that its role is to conduct independent audits and examinations and provide objective information, advice and assurance to Parliament. In this capacity it also promotes accountability and best practices in government operations.\(^6\) This role is one that resulted from the expansion of its mandate following the introduction of the Auditor General Act (1976-77, c. 34, s1.) which set out its current mandate and defined the role of the OAG. The Office was

given new responsibilities to report to the House of Commons on any cases whereby:

money has been expended without due regard to economy and efficiency [and] where satisfactory procedures have not been established to measure and report the effectiveness of programs, where such procedures could appropriately and reasonably be implemented.\(^7\)

These new responsibilities provided the rationale for VFM auditing. Value-for-Money Auditing is directly concerned with the issues of economy, efficiency and effectiveness.

The Independent Review Committee on the Office of the Auditor General of Canada, informally known as the Wilson Committee for its Chair J.R.M. Wilson, recognized the need for a VFM approach to auditing for the OAG. It should be noted that these objectives borrow heavily from the language associated with public service reform.

In March 1978 the 100th Annual Report of the Auditor General detailed the process of VFM auditing and articulated the need for such audits. The Auditor General expressed the view that there was:

widespread lack of due regard for economy and efficiency in the operations of Government, and inadequate attention to determining whether programs costing many millions are accomplishing what Parliament intended.\(^8\)

VFM auditing, recognized as an international phenomenon, was a response to such concerns, one that went beyond the important but limited concerns of proper financial


VFM auditing, as a "relatively new area of professional practice [had] few documented guides and precedents were scarce." Performance measurement and program evaluation were covered by directives and guidelines issued by the Treasury Board, particularly in its *Benefit Cost Analysis Guide* and its *Policy and Guidelines on the Management of Major Crown Projects*, but there were areas of potential inquiry where no guidelines existed. In such cases it was incumbent on the Office to develop general criteria with which it would be possible to assess the adequacy of the management process in specific operations. The Office acknowledged that audit opinions relating to VFM were a relatively new and imprecise area of professional practice and as such audit criteria were expressed in very general terms. Each audit would interpret its criteria in relation to the specifics of each case studied. It was also noted that although VFM audits were given generally consistent treatment they were expected to be different from the normal financial audits. For each audit undertaken, audit criteria would have to be specifically addressed and defined.

In order to remain consistent in its VFM audits it was necessary for the Office to operationalize three key values - economy, efficiency and effectiveness:

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Economy refers to the terms and conditions under which the Government acquires human and material resources. An economical operation acquires these resources in appropriate quality and quantity at the lowest cost. If control mechanisms are not in place programs may be overstaffed or understaffed or inappropriately equipped in other ways to deliver the expected results.\(^{10}\)

Efficiency refers to the relationship between goods or services produced and resources used to produce them. An efficient operation produces the maximum output for any given set of resource inputs; or, it has minimum inputs for any given quantity and quality of the service provided. Efficiency is obviously more measurable and more controllable in some situations than in others. The underlying management objective is increased productivity.\(^{11}\)

Effectiveness concerns the extent to which a program achieves its goals or other intended effects... not all programs are equally evaluable. Also, management procedures for measuring and reporting effectiveness will differ between programs.\(^{12}\)

These qualities represent fundamental aspects of the work of the OAG. Critical to this thesis is what happens when the concern for these issues conflict with other public service values and methods of operation.

Criticism of OAG Methodology

One of the major points of contention and a focus for critics of the OAG is a concern for its relationship to the public service. The OAG's mandate makes it

\(^{10}\)Ibid., 34.

\(^{11}\)Ibid., 34.

\(^{12}\)Ibid., 34.
necessary to be critical of instances in which irregularities or inefficiencies are uncovered. Determining who in particular should be held accountable is problematic given the public service's tradition of anonymity and the parliamentary tradition of ministerial responsibility.

Public servants are subordinate to their respective ministers and to the public service itself. Their accountability to Parliament and the public occurs primarily through the hierarchical arrangements of ministerial departments. However, there is a growing tendency among members of Parliament, the media and the public at large to blame public officials for alleged shortcomings in public administration. In instances where parliamentarians have made direct and personal attacks on public servants parliamentary-public service relations have been undermined. The OAG as a servant of Parliament must remain cognizant of the impact that such tactics have on the public service. It is imperative that the OAG both is - and appears to be - non-partisan and objective. Public service anonymity is diminishing while the government and the public service are experimenting with new management strategies.

**Conceptual Framework - Public Service Values**

In coming to an understanding of the role of the OAG in reforming the public service we must measure the impact it has had in reconciling traditional public service values such as neutrality, accountability, efficiency and effectiveness, responsiveness, representativeness, equity, fairness and integrity while fostering new values such as
service, quality, teamwork, innovation, openness, and excellence. Some reform initiatives, such as PS 2000 specifically, were intended to revitalize the core values of the public service.

From the Office's perspective, its role includes two key features of current public service reforms, namely, accountability and promoting improvements in government operations. In this respect the OAG encourages innovation in public administration, bringing about necessary changes within the public service to make it more efficient, while remaining cognizant of the need for probity, prudence and fairness - values fundamental to the exercise of its mandate. Surprisingly other values such as economy and efficiency did not appear in the OAG's legislation before the 1977 review of its mandate.

The OAG has recognized that traditional values remain relevant even in the context of a modernized public service. It is therefore relevant to this research to use a values framework as a conceptual and organizing focus. In this respect the focus on values will demonstrate the role of the OAG in relation to, and in contrast to, central agencies such as the Treasury Board and the Privy Council Office. For example, it may be asked whether the OAG, which must remain cognizant of public service values in its assessments of government operations, is a proper conduit by which public service reforms are to be assessed.

Fundamental values inherent in the public service are being re-evaluated in the current context of governance. Public service reforms have generally focused on the issues of economy and efficiency and the promotion of citizen-centred service delivery.
As a result the issue of accountability has been neglected although it remains a fundamental public service value. It appears that some values will always remain constant, others will be prioritized according to the wisdom of the day.

Institutional values can be organized into systems in which each value is ranked among others in terms of relative importance. Traditionally the most important public service values have included political neutrality, accountability, efficiency, effectiveness, responsiveness, representativeness, equity and fairness and integrity. The OAG has continually emphasized in its audits the need for transparency and accountability suggesting that these concepts rank highly in its estimation. While these values continue to remain relevant and useful they must be reconciled with new values such as service, quality, teamwork, innovation, openness, and excellence.

The March 1990 report of the Auditor General, titled Values, Service and Performance, noted that the role of public service values had, to that point in time, received relatively little critical attention. Most analysis of the Canadian public service was more concerned with the systems and structures in which it was expected to operate. What the Office of the Auditor General (OAG) was highlighting in this report was the critical importance of understanding the core values of the public service.

The 1990's witnessed the introduction of alternative organizational models for delivering programs and services. This has necessitated fundamental changes in both the structure and means of delivering public services. In its March 1999 report the OAG

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suggested the need to articulate clearly those public service values that are relevant in this environment of change and experimentation. Innovation in the delivery of public goods and services will require re-evaluation of the public service values framework and must be articulated in such a manner as to be consistent with the mandate and mission of the OAG. The OAG supports the need for public service innovations but believes that they should be undertaken in such a way as to "respect the requirements of parliamentary control and the need to protect the public purse." A mission statement has been formulated as follows:

The Office of the Auditor General of Canada conducts independent audits and examinations that provide objective information, advice and assurance to Parliament. We promote accountability and best practices in government operations. In this capacity it also promotes accountability and best practices in government operations. The Auditor General Act (1976-77, c. 34, s1.) sets out that mandate and defines the role of the OAG. Much of the work of the office focuses on "weaknesses in systems and practices, on acts of commission or omission, bearing on the prudence and probity with which the taxpayer's money is spent and public assets are managed."


In achieving these objectives it needs to remain aware of public service values.

During the 1980's the OAG had conducted three major studies relating to the management of the public service. The 1983 report examined management constraints, including the impact of political priorities, administrative regulations and the lack of incentives for improved performance. This research led to the 1988 report in which the focus was on well performing organizations defined as those which emphasized people, participative leadership, innovative work styles and a strong client orientation.

PS 2000 was a major public-service renewal initiative of the federal government announced in December 1989 and was concerned primarily with examining the government's employment and personnel management regime, the roles of central agencies and systems of personnel, and various administrative controls. It was designed to promote significant change in the way in which the public service was to be managed and to articulate a new set of core values for the public service. Its intended purpose, among other things, was to encourage the Public Service to develop a strengthened commitment of service to the public. In terms of human resource management the government would recognize its employees as assets to be valued and developed. From a management perspective PS 2000 was to place as much authority as possible in the hands of front-line employees and managers.18

In his 1990 Report, the Auditor General expressed his pleasure in seeing that

many of the issues identified in previous OAG audits and studies were to be addressed with the proposed implementation of PS 2000. The Auditor General was unequivocal in urging Parliament to support PS 2000. In anticipation of the implementation process the OAG was instructed to review its audit methodology to address three fundamental questions. First, the OAG was to concern itself with ensuring that judgement and innovation are recognized within the constraints of necessary control and compliance measures. Secondly, it was to report significant deficiencies while giving encouragement to efficient, effective and responsive service to the taxpayer and, thirdly, it was to ensure that adequate accountability mechanisms were in place to measure and report achievement in relation to resources consumed. The 1991 Report of the OAG also linked its view of PS 2000 to its own mission statement. The role of the OAG at this point, in its own estimation, was “to encourage accountability and bring about improvements in government operations...”19 The OAG supported the objectives and principles of PS 2000 because they were viewed as consistent with good management practices. The potential for PS 2000 to address human resource management issues was a primary reason for the OAG supporting the initiative.

Other actors involved in the reform process included public servants, ministers, parliamentarians and the public at large. Two other issues of concern were the implementation plan and the leadership required to make it happen. It was noted that past efforts at management reform lacked concrete implementation plans. It was

implied that Ministers and Parliamentarians must remain vigilant to ensure the viability of PS 2000.

The OAG also raised the prospect that public service management practices were perhaps too deeply ingrained to be overcome easily. It was noted that this was a significant question relative to previous public service reforms. From the OAG's perspective it was necessary to understand those obstacles to greater delegation of authority within the public service as well as coming to terms with any pervasive institutional resistance on the part of the government or the public service itself.

Critics of the OAG, like Alasdair Roberts, have taken exception to the Auditor's remarks regarding the challenge of encouraging innovation within the parameters of parliamentary control. The stated aim of the Auditor General in his 1991 report was to illustrate what he believed to be potentially a major problem with the PS 2000 initiative, namely management initiatives that were inconsistent with parliamentary requirements. The OAG devoted an entire chapter to two instances in which initiatives by managers within the Department of Fisheries and Oceans exceeded what it believed to be appropriate conduct in terms of accountability to Parliament. What offended Roberts in particular was that the two examples of managerial impropriety had occurred prior to the introduction of the PS 2000 initiative and thus argued that there was no correlation between PS 2000 and these specific examples of inappropriate behaviour. Roberts notes that the OAG had been aware of the department's bartering practices as early as

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The OAG's 1991 report made clear the role it saw for itself in relation to the PS 2000 initiative. The report stated:

In the coming years the Office will continue to seek improvements and will be watching the progress of PS 2000 with interest. In the course of our audits we will observe aspects of its implementation. The approach of the Office will be to raise questions during the reform process that need to be addressed to ensure that the objectives of PS 2000 are met. The intent will be to stimulate the debate and discussion ...

It was a role which in the OAG's determination was consistent with its mandate. Critics may argue, however, that this role was not as conducive to implementation of PS 2000 as some may have liked.

The 1992 Report of the Auditor General was consistent with its approach taken the previous year. The Auditor General noted the importance of management reform in the context of increased global competitiveness, spending restraints, and the efforts to achieve a more efficient and effective government. The 1992 report describes PS 2000 as a very ambitious initiative that could not succeed without highly visible leadership, particularly at the political level. The OAG stressed that "leadership and support must be present - and seen to be present - consistently over the long haul."22

The primary focus of the 1992 report was the issue of assuring adequate control over the public service. The OAG suggested that the key to successful implementation

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of PS 2000 was a fundamental change in the philosophy of public management. The report was to concern itself with two issues that the OAG felt had not been adequately addressed at this point in time: the need for more effective management and greater government accountability. If public reform proposals were to place greater emphasis on results rather than process then there was an urgent need to fundamentally rethink the whole concept of control.

While acknowledging the government's need to eliminate unnecessary controls and to allow for greater delegation of authority to public servants the OAG wondered about the direction public service reforms were to take. The government had not clarified, to the satisfaction of the OAG, whether intended reforms were to be aimed at establishing fewer controls or different control measures altogether. The OAG stressed the urgent need for the government to provide guidance to the public service as to the direction in which it was headed.

Using both public and private sector organizations as research subjects the OAG undertook a study entitled "Internal Auditing in a Changing Management Culture." This study noted the changing business environment influenced by trends such as globalization, downsizing, increased competition, environmental protection, and new technologies required fundamental changes in management methodologies. Underlying these challenges, the OAG noted that the organizations included in this study saw the issue of control "as essential in today's highly competitive business world."^23

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The OAG argued that companies found that despite global forces operating in the economy, the need for effective control had not changed. What had changed was the nature and location of the controls themselves. The trend in the business community was to eliminate unnecessary controls or to transfer controls from centralized authorities to its field operations. In short, more authority was being placed in the hands of lower-level management. Such practices, it can be argued, were consistent with the proposals contained in PS 2000. The OAG suggested that government could, in this instance, learn from private corporate experience. Noting that PS 2000 would affect control and accountability the OAG presented the challenge to government to implement a new control framework that would maintain the confidence of key players; Parliament, central agencies, and public service managers. The OAG saw that the key to successful implementation of reform was the relationship between major stakeholders. It was recommended that both central agencies and the operating departments clarify their roles and responsibilities in relation to one another.

The 1992 Report also noted that public service values, as articulated in the White Paper on public service renewal, were to be the foundation on which the necessary control measures would be built. These values stressed service, loyalty, honesty, integrity, objectivity, and prudence. Also incorporated in the government's value statement was the requirement that public servants carry out their duties in a professional manner with due consideration, and respect, for ministers, parliamentarians, the public, and other members of the public service.\textsuperscript{24}

\textsuperscript{24}Ibid., 16.
By 1993 the OAG was stressing the need to revitalize the process of public service reform. The 1993 report included a chapter which placed Canada's public service reforms in context of the global phenomenon of public service renewal. A chapter in this report entitled "Canada's Public Service Reform, and Lessons Learned from Selected Jurisdictions" concluded that PS 2000 was in danger of falling short of its potential. Stressing that the OAG had supported the principles and objectives of the PS 2000 initiative from its introduction it was now reporting that its potential failure was due to the difficulties associated with managing the transition, particularly in light of government restructuring.

The year 1994 marked the fifth anniversary of the announcement of PS 2000. In the OAG's 1994 annual report, the issue of public service renewal was dealt with once again. This report acknowledged that PS 2000 had been subsumed into a larger, more pervasive exercise known as government renewal. Major policy reviews had been undertaken and scarce resources were allocated to the highest-priority requirements. In general terms the OAG viewed this renewal exercise with optimism but again stressed the need to ensure that the values and management principles of the public service renewal exercise received continued support by the government. The OAG appealed for strong central leadership, both political and bureaucratic, and for more regular and timely reporting on the state of public service reforms.

The Auditor General, cognizant of the requirements of public management, was forced to explain the activity of governance in an atmosphere of risk-taking and valuing of "honest mistakes." In raising concerns about the implementation of PS 2000 the
OAG was subjected to criticism about its role in relation to this reform initiative. In terms of future reform endeavours it can be questioned whether the OAG can remain in its traditional role of parliamentary watchdog and also actively endorse both the policy and the implementation of public service reforms.

Purpose and Methodology

The purpose of this thesis is to examine the role that the Auditor General of Canada has had with respect to the issue of public service reform. The major hypothesis is that the OAG has been a key player in the process of public service reform. The office has played an important role in developing a perspective on the history of public service reform initiatives since it has been both a proponent and a critic of reform efforts.

This thesis will discuss this role in the context of the history of major reform initiatives undertaken in the past forty years and will deal primarily with the work of various commissions including the Glassco, Lambert, and the D'Avignon Commissions as well as more recent government-initiated reforms such Public Service 2000, Program Review and La Relève.

Chapter one has presented material relating to the role and mandate of the Auditor General and its relationship to the issue of reform. In coming to an understanding of these issues it was necessary to note procedures, such as VFM auditing and OAG methodology, and the strengths and limitations of such work. It has
been possible, and even necessary to develop a framework around which this thesis can be organized. The issue of public service values has provided such a framework; this is important not only because reform is generally a question of competing values, but also because in the conclusion of this thesis we shall see that successful reform can be achieved by a focus on appropriate values. Whereas many reform initiatives have focused fundamentally on changes in structure and operating procedures, future reforms should be directed at changing public service culture, i.e., altering the priority of values.

In researching the relationship of the Auditor General to public service reform, a review of various reports has been conducted which provides much of the content of chapters two and three as well as a significant portion of chapters four and five. Extracted from these reviews are those values which have received priority in each successive endeavour. A qualitative analysis of OAG studies on public service reforms will be fundamental to this study and will represent a significant portion of this thesis. Results of this analysis will be treated within each chapter to which it pertains and this will also constitute a significant portion of the final chapter. Chapter Three will examine the government initiative known as Public Service 2000. This initiative received a great deal of attention by the OAG and is fundamental to the rationale for this research. In Chapter Four Program Review and La Relève will be examined. Chapter Five will examine mechanisms for reform from the point of view of the OAG. It will incorporate Canadian experiences and methods of reform within the context of a global experience of reform. A review of the OAG's perceptions of reforms in other jurisdictions, primarily
Westminster governments, will be undertaken based on outputs/publications of the OAG. Chapter Six will discuss the significance of public service values and involve a summation of the findings in this thesis as well as recommendations for future study.

Summary

In this chapter an historical overview of the OAG has been presented. The impact of the Report of the Wilson Committee was significant and has led the OAG to pursue VFM auditing procedures. As this research is concerned primarily with VFM audits relating to public service reform the relationship of the Auditor General to this issue requires analysis. It is therefore necessary to understand the rationale for VFM auditing and consider those criticisms of this approach to performance auditing. Finally this chapter concluded with a presentation of the purpose and methodology of this thesis.
CHAPTER TWO

PAST PUBLIC SERVICE REFORM INITIATIVES

The Glassco and Lambert Commissions as well as Increased Ministerial Authority and Accountability (IMAA) and the report of the D'Avignon Committee represent major benchmarks in the history of public service reform. Both the rationale for and the implementation of these reform initiatives will be examined and an assessment of their relative successes or failures will be developed. An understanding of these initiatives will be based primarily on their historical context and the public service values that they articulate. This portion of the thesis will also examine the role of the federal government in more general terms and will provide an understanding of public service reform as government policy. This approach will also be used subsequently in Chapters Three and Four dealing with the contemporary debate about public service reform.

The relationship of the OAG to the Glassco and Lambert Commissions is not as immediately obvious as its relationship to later reforms such as PS 2000 (examined in Chapter Three). The Glassco Commission preceded the OAG's mandate to conduct VFM audits. The OAG's views of this commission, expressed within the context of its later annual reports, provided momentum to the reform process. The Lambert Commission, as we shall later see, derived its purpose in part from concerns expressed by the Auditor General.
Goals of Public Service Reform

A.W. Johnson has noted that the goals of public service reform initiatives in the past thirty years have been primarily to achieve greater effectiveness, efficiency, and economy although probity and prudence also remain fundamental values underlying these reforms. There are, according to Johnson, three fundamental considerations of the reform process. The first consideration is that public affairs should be administered efficiently and economically while respecting probity and prudence. Secondly, reforms have been designed to ensure that the government policies and programs are effective in the achievement of their goals as measured by regular evaluation. Thirdly, reforms have been designed to establish frameworks that allow for planning, allocation and control of public expenditures.\(^2^5\) Johnson also notes that the push for reforms intensifies every three to five years. It is necessary to examine in detail each of the major reform initiatives, undertaken between 1962 and 1979 and each is examined in detail below.

The Glassco Commission

The Glassco Commission involved more than just the issue of management of the public service. This commission had been given the task of inquiring into and reporting upon the organization and methods of operation of government departments and agencies with the intent to recommend changes that would "promote efficiency,

economy and improved service in the dispatch of public business." This commission examined a total of twenty-three departments, the Armed Forces, twenty-one statutory boards, forty-two corporations and twenty-nine miscellaneous entities consisting of statutory officers, commissions and councils. These entities employed a total of 480,000 people of which 132,000 were civil servants as defined and employed under the Civil Service Act.

Given the magnitude of such a task, the commission adopted a selective method of inquiry. Its final report notes that "it was clearly impossible to carry out a detailed examination of the machinery of government, department by department and agency by agency." The task was made manageable by excluding enterprises that were run commercially, by focussing on problems or concerns which were common to all or a substantial number of departments and by concentrating functional studies on selected departments and agencies. In short, much was excluded from the inquiry. The Glassco Commission's scope of inquiry went far beyond the issue of public service reform as it was directed at government operations in total. The public service was the focus of Report 1: A Plan for Management, the first of five volumes that the Commission would produce.

A Plan for Management sought to place the public service in its proper context

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27Ibid., 21.

28Ibid., 21.
within Canadian society. The report argued that its recommendations "must be taken into account in any attempt to develop a general concept of public administration appropriate to the Government of Canada."\(^{29}\) This was an important first step in that it must be acknowledged that the public service does not operate in a vacuum but rather is influenced by a large number of societal and political influences. As we shall see in Chapter 3, critics of the OAG's work on public service reform argue that any analysis of this subject matter requires that the environment in which the public service functions, as well as political demands placed upon it, be given proper consideration when auditing or studying public service entities.

One of the most fundamental concerns for analysis, according to Glassco, is the size and regional diversity of the country. Glassco recognized that the delivery of government services is diffused across Canada with three-quarters of the public service located outside of what is called today the National Capital Region. This aspect of governance is problematic in that Glassco recognized that "the organization and administrative processes of the entire public service have been shaped almost exclusively by the needs of the central apparatus for decision making."\(^{30}\)

Another factor complicating the work of the public service is that of providing service in both English and French where appropriate. The federal public service must remain representative and language usage must be recognized as a fundamental concern or requirement. Since Glassco's report, a great deal has been done to ensure

\(^{29}\text{Ibid.}, 26.\)

\(^{30}\text{Ibid.}, 26-27.\)
a bilingual public service as on contribution to bilingualism. Unfortunately bilingualism is itself problematic in that large regions of Canada do not experience great demand for service in both languages and the region with the greatest demand happens to be the National Capital Region.

Yet another issue about which Glassco raised concern was the nature of Canada's federal system of government, an issue replete with questions of jurisdiction. At many points federal and provincial jurisdictions overlap and in many areas the two levels of government are providing similar services. Harmonization of federal and provincial services requires federal public servants to operate in harmony with their provincial counterparts. Public service reform initiatives, it could then be argued, must remain cognizant of this federal/provincial imperative.

The Glassco Commission was conducted after a period of significant change in the role of government and the public service. The commission noted that there was substantial delay in applying the new concepts and processes of public administration to meet this challenge. From the beginning of World War I to 1960 the federal public service had experienced an increase of almost nine times from 24,000 in 1913/14 to about 216,000 in 1960. This increase can, in part, be seen as the result of the government becoming involved in new activities, areas not previously known as civil functions. Unemployment insurance, employment service, family allowances, universal old age pensions, large-scale support for housing, the development of atomic energy, air traffic control and upper atmosphere research are some of the areas that Glassco noted to demonstrate this expanding role. Glassco noted that with an increase in size a
As the government had become more involved with an increasingly complex economy it found itself fulfilling a variety of new roles. Its activities included supporting, promoting, protecting, regulating and controlling economic priorities. Glassco noted that the administrative procedures by which the government was meeting its operating needs had become matters of economic and social significance.

Concurrent with its economic concerns Glassco noted that a similar trend towards complexity had also affected more traditional tasks of government such as the maintenance of internal order, the conduct of foreign relations and national defence. In terms of these The Department of External Affairs, for example, had increased ten-fold from 1939 to the time of Glassco's final report. Such growth was due primarily to the international phenomenon of most foreign governments becoming more directly involved in the economy. This had been complicated by an increase in international tensions as a result of the Cold War, the demise of colonial empires and the emergence of new states, and the proliferation of international organizations and programs.

As government expanded its role, it became increasingly clear that ministers and their deputy ministers were unable to maintain adequate control over personnel and financial resources. To rectify this problem external controls were imposed upon operating departments. This eventually created another problem, namely the restrictive nature of the controls and their limiting effect of the departments' efforts to meet their mandates, "there is little evidence of any attempt to develop effective forms of
organization and appropriate working arrangements for the 150,00 public servants throughout the country."\(^3\)

Glassco noted that the tendency for control mechanisms, or systems of control, had a tendency to self-perpetuation which further complicated the work of departments. There were inherent problems between the control agencies and line departments as control agencies became mistrustful of departmental competence and integrity, and were too prone to question and even override departmental judgements on operational matters. Glassco called this tendency a 'monopoly of virtue' by the central agencies which did little to enhance relationships with departments.

Glassco stated unequivocally that "the government's structure and methods must take account of new resources and techniques as they become available," and noted that developments in technology had already transformed the field of public administration. This fact, noted by Glassco in the 1960's, is still a fundamental concern nearly four decades later. Technological advances create new challenges for the public service. Glassco noted the need for training and learning within the public service to meet this new challenge.

The Response of Public Servants

The Glassco Commission, as the first of the several reform initiatives this study

\(^3\)Ibid., 26-27.
deals with, had a unique and important quality about it that many later reforms lacked. This quality was the positive response of public servants themselves to the needs of remaking and improving the quality of the public service. The commission made note that the public service itself was highly supportive of the project itself. The final report stated that:

almost without exception, these demands met with a co-operative response. The competence and devotion of most public servants encountered impressed [the] Commissioners and research staff. It was found that the public service was generally receptive to change and was, in fact, the source of many proposals for improving its own operations... in general the defects in the machinery of government are the consequence of outmoded concepts of public administration and do not reflect on the calibre of Canada's public servants.\(^{32}\)

This suggests that such a comprehensive reform initiative could be undertaken with a measurable degree of cooperation with those who are to be immediately affected by its recommendations.

Public Service Values and Glassco

The Glassco Commission sought to promote public service values of efficiency, economy and improved service. These values reflect the fundamental concerns of the Auditor General. The commission also articulated the values of integrity and service quality. As we examine other public service reform initiatives we will see values consistently repeated.

\(^{32}\text{Ibid., 22-23}\)
Chapter 9 of the April 2000 Report of the Auditor General entitled "Streamlining the Human Resource Management Regime: A Study of Changing Roles and Responsibilities" included a brief history of human resource management in the public service. In doing so it sought to present the work of the various commissions and committees covered in this study in a contemporary context with relevance to current human resource concerns.

Among the observations made about Glassco is the important element in its mandate to determine how changes in the relationship among the Treasury Board and other central agencies and line departments and agencies could help to improve efficiency, economy and service to the public. Nearly four decades later these values remain the concern of the OAG. The Glassco Commission recommended substantial changes in the framework of these relations and this contributed to a new legislative framework established in 1967.

Glassco's recommendations concerning two other values, accountability and efficiency, were not immediately adopted by the government. The OAG notes, these issues remain problematical decades later. Glassco had made recommendations pertaining to the merit system and the role of the Public Service Commission. Concerns about the division of responsibilities for human resource management remain as major problems. The commission, for instance, had expressed concern about the splitting of responsibility between the Treasury Board and what was then the Civil Service Commission (later the Public Service Commission). The history of public service reform, from the point of view of the OAG, remains an ongoing process. It has not
always been an effective process. We shall see that other initiative shared similar fates to Glassco.

D'Avignon Committee

In February 1977 the government established a review body to examine staffing, appointments, and training in the public service. This committee, called the Special Committee on the Review of Personnel Management and the Merit Principle in the Public Service is more commonly known as the D'Avignon Committee after its Chairman Guy R. D'Avignon. Its terms of reference required it to examine all matters pertaining to the Public Service Employment Act (PSEA) and make recommendations with particular reference to a number of key areas. It would examine the merit principle and its application to initial appointment, internal appointment and promotion and the eligibility of public servants to participate in job competitions.

According to the OAG's April 2000 Report, Chapter 9, "Streamlining the Human Resource Management Regime: A Study of Changing Roles and Responsibilities," the D'Avignon Committee was a unique public service reform initiative in that the public service unions participated to the fullest degree. This is rare in other reform initiatives.

D'Avignon found that the public service was generally of a high calibre and was highly respected both in Canada and abroad. Despite this fact the committee found a number of problems in personnel management such as: the absence of a corporate management (also referred to as leadership); the absence of any philosophy of
management; excessive and inflexible regulation; slavish adherence to universally applied regulation (in the name of merit at the expense of efficiency and effectiveness); poorly trained managers and supervisors, a low priority given to training, and the lack of accountability for effective personnel management.

One of the most basic proposals of the committee's final report was the call for the adoption of a philosophy of management that would establish the commitment of management at all levels, one that would recognize people as the most valuable asset of the public service. This would require a demonstrated concern for the work environment. Such an environment would have to be conducive to effective and productive work, employee fulfilment and the attainment of public confidence in the work of the public servant. It would also require participative leadership, that is, decision making which allows the employee to contribute to decisions that affect the work place. In short, the essential elements of the proposals of the committee can be expressed as values even though they did not express them as such. The values of effectiveness, productivity, participatory leadership, representation, fairness, equity, consistency, integrity, merit and efficiency were, in essence, the focus of D'Avignon's proposals. The D'Avignon Committee was much like the Glassco Commission in that it also expressed concerns about divided responsibility, unclear accountability, the role of the Public Service Commission and the staffing process itself.
The Lambert Commission

Formally titled the *Royal Commission on Financial Management and Accountability*, the Lambert Commission's terms of reference required it to inquire into management, control and accountability issues in the federal government. Its first progress report was delivered to Parliament at the same point in time that the OAG was receiving its broadened mandate resulting from the Wilson Committee. This commission held that achievement of responsible and efficient government was acknowledged as an important ideal for governance of democratic states such as Canada. At the centre of the Commission's work was the issue of the size of government.

The Glassco Commission had recognized that government had become too large and too complex to be manageable. Lambert, while acknowledging the achievements of Glassco, noted the Auditor General's remark that government may have lost, or may be in the process of losing control over the public purse. In the Auditor General's Report for the fiscal year ending March 31, 1976 the Auditor General stated that he was:

... deeply concerned that Parliament - and indeed the Government - has lost, or is close to losing, effective control of the public purse... Based on the study of systems of departments, agencies and Crown corporations audited by the Auditor General, financial management and control in the Government of Canada is grossly inadequate. Furthermore, it is likely to remain so until the Government takes strong, appropriate and effective measures to rectify this
critically serious situation.\footnote{Canada, Office of the Auditor General, Report 1976, 9 (Quoted in Royal Commission on Financial Management and Accountability, Final Report, March 1979, 14).}

The Commissioners acknowledged that the creation of their commission was, in part, precipitated by the Auditor General's reports. The Auditor General's report of 1976 noted that "the current state of financial administration in the Government of Canada is not now adequate to ensure full and certain control over and accountability for public funds required for the expanded responsibilities and programs that now exist."\footnote{Ibid., 13.}

The Lambert Commission also acknowledged that:

We must be prepared to concede that the enormous rate of growth of government-both in people and in cost - is surely not sustainable and, indeed, poses the question of whether a pause or freeze in the rate of growth is even action enough...While acknowledging that the causes of the growth of government were beyond the scope of its inquiry, the commission acknowledged that large government imposes strains on "the system of management and the consequent weakening of accountability constitute the heart of the matter. The growth in size, complexity and pervasiveness of government clearly creates a greater potential for misallocation of enlarged resources and even abuse of authority. \footnote{Canada, Royal Commission on Financial Management & Accountability (Lambert) First Progress Report, November 1977, 2-3.}

The commission was largely concerned with the values of efficiency and probity within the public service as well as economy, effectiveness, and control of and accountability for public funds and resources. Other value-related concerns were the
avoidance of waste and increased productivity in government. The commission also noted that "without a reinforcement of the values of integrity, competence and dedication, it is not likely that esteem and confidence will be restored."^{36}

Of the values articulated in the Final Report of the Lambert Commission none is as important as that of accountability. The commission held that the serious problems in the management of government had roots in the fact that there was fundamentally a "grave weakening, and in some cases an almost total breakdown, in the chain of accountability, first within government, and second in the accountability of government to Parliament and ultimately to the Canadian people."^{37} The commission defined accountability as the essential element in democratic governance operationalized as "the liability assumed by all those who exercise authority to account for the manner in which they have fulfilled responsibilities entrusted to them, a liability ultimately to the Canadian people owed by Parliament, by the Government and thus, every government department and agency."^{38} The commission stressed that:

Accountability is the fundamental prerequisite for preventing the abuse of delegated power and for ensuring, instead that power is directed toward the achievement of broadly accepted national goals with the greatest possible degree of efficiency, effectiveness, probity, and prudence. Establishing the means of proper accountability is our fundamental concern.^{39}


^{37} Ibid., 21.

^{38} Ibid., 21.

^{39} Ibid., 21.
Lambert believed that the breakdown in the chain of governmental accountability was the direct result of a number of defects, that had developed over a nearly a decade in the structure, organization, and processes of Parliament and the government. This problem was exacerbated by the fact of the immense growth in the size and scope of government activities.

The Lambert Commission's Progress Report appeared in November 1977. The Final Report followed sixteen months later in March of 1979. In the interim the government of the day had announced new initiatives with respect to resource management and took some significant steps to reduce expenditures. The Auditor General as well as the Public Accounts Committee of the House of Commons and the Standing Senate Committee on National Finance issued reports which further influenced the commission. The summation of these initiatives and reports was that the problem of government management was not receiving adequate attention from Parliament, ministers and public servants themselves.

The solution to the problems of management required that government programs and activities be approved only when they had carefully defined goals and objectives and a realistic forecast of costs, that Parliament hold the government of the day to account for its spending, and that ministers and cabinet provide more leadership and direction to public officials.

In the introduction to its final report the Lambert Commission said that in making its recommendations it would be respectful of the possible reaction to the changes suggested by its findings both within the government and the bureaucracy itself. It
noted that "new requirements must not be so massive as to overwhelm or immobilize the public service; nor must they deter the public service from its fundamental role of serving people." The recommendations of the commission, it was believed, should not further complicate the process of governing. The commission remained cognizant of the fact that processes and structures, with reference to Parliament, the government, departments and agencies, could become overloaded, thereby further complicating the process of reform. It was argued that strengthening management should not equate to increased bureaucracy.

Lambert noted that, like Glassco's findings, there was a high degree of commitment to sound management within the public service. Lambert sought to foster this commitment throughout the public service, noting that without it a decline in image, morale and effectiveness of the public service that was already surfacing would continue.

The Lambert Commission identified problems similar to those raised by the D'Avignon Committee. Of its activities the OAG has noted that:

the Lambert Commission was established not to examine personnel management but to look at matters of financial management and accountability. Nonetheless, it concluded that the management of personnel in all its aspects is as important as, if not more important than, financial management in achieving overall management of government activities.  

Of significance to the OAG is the fact that the Lambert Commission pointed out that

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40 Ibid., 8.

Parliament's review of personnel management was more limited than its review of financial management matters through the Public Accounts Committee. Parliamentary oversight was limited, according to the Lambert Commission, because the responsibility and related accountability for personnel management were fragmented.

**Increased Ministerial Authority and Accountability**

IMAA was introduced as the government's major instrument for improving the management of the public service. Launched in 1986, IMAA was a systematic initiative designed to change the management of the public service. Its objectives were to give ministers and senior managers the increased authority and flexibility to deal with changing circumstances and to manage effectively with limited resources. It was also intended to enhance the accountability of ministers and senior managers for the achievement of results as defined through program delivery and Treasury Board policies.

In terms of values articulated by this initiative, flexibility and efficiency were two major concerns. IMAA was also to incorporate a focus on results, on personnel, on government policy and tailoring of service delivery to appropriate circumstances. It was designed to change the management culture of the public service. Its first objective was to give ministers and senior managers the increased authority and the flexibility to deal with changing circumstances and to manage effectively with limited resources. A second objective was to enhance the accountability of the ministers and
senior managers for the achievement of results, both in program delivery and in the implementation of Treasury Board policies.

The implementation of IMAA required that a number of concerns be addressed. Firstly it meant attracting and retaining the best people. Secondly it meant that both Treasury Board and departmental policies and procedures would have to accomplish the following:

- providing managers with the flexibility needed to manage efficiently and effectively;
- involve less paper burden, freeing managers to devote more time to productive management;
- focus on results as the key to accountability;
- tailoring arrangements to the unique circumstances of each department and agency; and
- recognizing that the nature of the public service requires a core of government-wide policies and the means of identifying and communicating them.42

In attempting to attract and retain the best people a number of measures were instituted. These measures were intended to lay the foundation for a more concerted and focused approach to renewing the public service. The first progress report by the Treasury Board on IMAA detailed specific benefits to public servants since the inception of IMAA. These included:

- full employer funding for the Public Service Dental Care Plan;

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- improvements to the Group Surgical Medical Insurance Plan;
- introduction of a Vision Care Benefit;
- increased hospital accommodation benefits;
- an increase in the employer contribution to the Disability Insurance Plan;
- enhancement of the maternity allowances for employees posted outside Canada;
- and housing allowance for those posted to Yellowknife.

IMAA also sought to address issues facing those public servants who were identified as belonging to the Management Category that was established in 1981. Benefits given to this particular group of public servants included annual economic increases, performance pay as well as the portability of benefits from all Crown corporations and separate employers and enhanced benefits associated with promotions and relocations.

Summary

The objective of this chapter has been to present public service reform initiatives in term of the values they explicitly or implicitly express. In most instances the values expressed can be reduced to a single word such as efficiency, effectiveness or accountability. Such values remain constant while other priorities arise within each reform initiative relative to the focus or direction of that particular initiative. The values of improving service, focusing on results and increased productivity have also been
expressed in the reform process.

As noted earlier there appears a cyclical nature to the process of public service reform and many themes resonate throughout this cycle. What should be noted, with particular reference to this research, is that the Auditor General’s role remained very consistent in its approach. The Auditor General’s reports have repeatedly been used as an initial point of reference from which reform initiatives could develop. This role, we shall see, changed, or rather the perception of this role changed. In Chapter Three we examine the initiative known as Public Service 2000.
CHAPTER 3

PUBLIC SERVICE 2000

This chapter will examine the relationship of the Office of the Auditor General to the reforms announced in the government initiative known as Public Service 2000 (PS 2000). Chapter 4 will continue with themes relevant to PS 2000 in examining two other government initiatives, Program Review of the mid 1990's and the current reform program La Relève. These initiatives represent the key components of the current debate on public service reform. La Relève, the most recent initiative, can be seen as the product of a process that was inaugurated by Public Service 2000 and was greatly affected by the policies of Program Review. PS 2000 a major public-service renewal initiative of the federal government was announced in December 1989.

The Auditor General and PS 2000

In announcing PS 2000 the Prime Minister directly linked the government's renewal initiative to the Auditor General's call for public service reform noting that the need for change had been strongly endorsed by the OAG in previous reports to Parliament. The Auditor General's preliminary response to the PS 2000 initiative was to strongly endorse it in principle. Support of PS 2000 was due to the fact that it was based on principles promoted by the OAG and it was seen "as significant opportunity to
bring about much needed change." As noted by John W. Holmes, a principal of the OAG, "there appeared to be considerable symmetry between the need for reforms identified by the Auditor General and the objectives of PS 2000."

The dilemma for the OAG in respect to PS 2000 was to find for itself a role which was consistent with its mandate and conducive to the implementation of required public service reforms. As the debate developed the OAG found itself a role which was, in its estimation, congruent with its stated mandate. The rationale for its new role was developed in an OAG paper titled *PS 2000: Developing a Common Understanding* which suggested that the OAG would act as the "conscience of PS 2000." It explained that although the OAG supported the reform initiative it still held significant reservations which required resolution. The consensus within the OAG was that:

as the conscience of PS 2000, to the extent possible we should make known our expectations - for example, concerning the need for prudence and probity, clear accountability, maintenance of necessary controls, improved performance measures, the observation of Parliamentary control requirements, and so on; and we should signal problems that we see on the horizon.

In short the OAG would be supportive of the stated objectives of the proposed reforms but would undertake its 'watchdog' role of ensuring that the implementation of PS 2000 met the strictest requirements of its mandate.

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43Ibid., 2.

44John W. Holmes, 525.

Criticism of the OAG

Alasdair Roberts argues that public discourse over the merits of PS 2000 was dominated by what has been labelled "the control lobby" whose view of this initiative was generally negative. Roberts notes that:

The control lobby was a loosely organized community that included the federal Office of the Auditor General, many legislators, public service unions, the media, some industry associations and perhaps auditors and financial administrators within the public service.46

Admittedly the OAG played a lead role in shaping the debate about the PS 2000 initiative but whether there was a deliberate attempt to undermine reform efforts is highly questionable. Roberts notes that the OAG's reports tended to emphasize the danger that the PS 2000 reforms would weaken parliamentary control of the public service and increase bureaucratic misconduct. He readily admits that the OAG was not anti-reform and had throughout the previous two decades involved itself in a number of studies relating to problems of effective management in the public service.

Previous Work of the OAG

During the 1980's the OAG conducted a number of major studies relating to the management of the public service. In 1983 the OAG examined the issue of management restraints, administrative regulations and the lack of incentives for good

management practices. In 1988 the OAG examined well performing organizations concluding that well performing organizations placed an emphasis on people, and utilized participative leadership and innovative work styles while maintaining a strong focus on meeting client needs. The results of such studies explained the need for major public service reform. The OAG concluded that the priorities of public service reform would entail cost-effective resource use, a greater responsiveness to the public, demonstrated support for government priorities, and satisfying work for public servants.47

In his 1990 Report, the Auditor General expressed his pleasure in seeing that many of the issues identified in previous OAG audits and studies would be addressed with the implementation of PS 2000. The Auditor General was unequivocal in urging Parliament to support PS 2000. In anticipation of the implementation process, the OAG was instructed to review its audit methodology to address three fundamental questions. The OAG was to concern itself with ensuring that judgement and innovation are recognized within the constraints of necessary control and compliance measures; it would report significant deficiencies while giving encouragement to efficient, effective and responsive service to the taxpayer; and, it would ensure that adequate accountability mechanisms were in place to measure and report achievement in relation to resources consumed.48

47Canada, Office of the Auditor General, "Matters of Special Importance and Interest," 1990 Report of the Auditor General, Chapter 1,16.

The issue of the credibility of the OAG was brought forth by the newly appointed Auditor General in the 1991 report to Parliament. Credibility, it was noted, was "perhaps the Office's most valuable asset." Whether this was meant to imply that the OAG must distance itself from its avid support of PS 2000 is open to speculation. The Auditor General acknowledged the difficult environment in which the implementation of PS 2000 was to be conducted. He noted, among other things, that the $29 billion annual deficit would impact all government activity. The emphasis which reforms like PS 2000 could have on improved administrative processes would have to be reconciled with the financial condition of the federal government. The OAG noted that:

there is the impression of a troubling dichotomy: an emphasis on improved administrative processes on the one hand, and the financial condition of the country on the other.  

The 1991 Report of the Auditor General sought to place PS 2000 within the context of some thirty years of government reform. PS 2000, it was argued, should be viewed in context of other initiatives such as the Planning, Programming and Budgeting System (PPBS) and Increased Ministerial Authority and Accountability (IMAA). It was noted that inquiries designed to develop greater effectiveness, efficiency and economy in public administration had included Royal Commissions and task forces, most notably the Glassco and Lambert Commissions.

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49Ibid., 2.

50Ibid., 3.

51PPBS relates more specifically to government budgeting and resource allocation and not to the issue of public service reform. Although it has had direct impact on the public service it is considered beyond the scope of this thesis.
In the 1960's The Glassco Commission aimed at dismantling the centralized and restrictive forms of financial control in response to the changing nature of government operations. Administrators were to be given greater flexibility. The Lambert Commission of the late 1970's endorsed Glassco's recommendations while attempting to ensure control and accountability. The theme carried through to the 1980's was the relaxing of central controls to empower departments, giving them greater flexibility and autonomy. By the end of the 1980's, however, the consensus among public servants, according to the OAG, was that detailed expenditure and administrative controls were still impeding public service reform. In short, nearly thirty years of reforms had failed to meet the necessary objectives. It is in this context that the OAG was to view PS 2000.

The 1991 Report of the OAG also made a point of linking its view of PS 2000 to its own mission statement. The role of the OAG at this point, in its own estimation, was "to encourage accountability and bring about improvements in government operations..."52 The OAG supported the objectives and principles of PS 2000 because they were viewed as consistent with good management practices. The potential for PS 2000 to address human resource management issues was a primary reason for the OAG supporting the initiative.

Although acknowledging the value of the PS 2000 reforms, the Auditor General displayed some hesitancy in estimating the potential for successful implementation of stated objectives. The 1991 Report of the OAG highlighted a number of areas of

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concern. The issue of global competitiveness was noted as one challenge to be overcome. This theme would be reiterated in subsequent reports. The OAG drew attention to the fact that the PS 2000 White Paper acknowledged that public service renewal was not merely a matter of legislative and administrative changes.\textsuperscript{53} Fundamental to the success of the proposed reforms was the need for significant changes in attitudes by the major actors involved in the reform process. This included public servants, ministers, parliamentarians and the public at large. Two other issues of concern were the implementation plan and the leadership required to make it happen. It was noted that past efforts at management reform lacked concrete implementation plans. It was implied that Ministers and parliamentarians must remain vigilant to ensure the viability of PS 2000.

The OAG also raised the prospect that public service management practices were perhaps too deeply ingrained to be overcome easily. It was noted that this was a significant question relative to previous public service reforms. From the OAG's perspective it was necessary to fully understand those obstacles. The reform process must come to terms with any pervasive institutional resistance on the part of the government or the public service itself.

The 1991 report also raised the issue of performance measurement. The OAG emphasized the fact that performance measures were an essential instrument of accountability and noted that this issue had appeared in most reports and internal reform initiatives of the past three decades. Fundamental to the need for effective

\textsuperscript{53}Ibid., 11.
performance measures was the need for reliable information on effectiveness and efficiency. The OAG was to question whether technical difficulties impeded the delivery of such information. It was noted that:

each successive study, or reform movement, seems to implicitly recognize that adequate performance measures have not been used, despite their central importance to improved accountability and a more effective public service. Again, we have to ask why. Are the technical difficulties in developing such measures insurmountable, give the characteristics of many government programs? What is the inherent difficulty in using information, both within government and between government and Parliament?\[54\]

Critics of the OAG, like Alasdair Roberts, have taken exception to the Auditor General's remarks regarding the challenge of encouraging innovation within the parameters of parliamentary control. The stated aim of the Auditor General in his 1991 report was to illustrate what he believed to be potentially a major problem with the PS 2000 initiative, that being management initiatives that were inconsistent with necessary parliamentary requirements. The OAG devoted an entire chapter to two instances in which initiatives by managers within the Department of Fisheries and Oceans, exceeded what it believed to be appropriate conduct in terms of accountability to Parliament.\[55\]

Roberts asserted that in using these two specific examples of impropriety the OAG was demonstrating that there was little substantive evidence the OAG had about the impact of PS 2000 itself. Roberts suggests that the recent introduction of the PS

\[54\]Ibid., 12.

2000 initiative and the secrecy within the federal public service were to account for this relative lack of information. What bothered Roberts was the OAG’s willingness “to prefer one interpretation of an issue over another” with such little information.56

The OAG, Roberts argued, could have taken a more positive view of PS 2000 at this juncture. He suggested that the position taken by the OAG in its 1991 report was inconsistent with its own position taken in 1983 when it argued that it was legislative and regulatory constraints that were causing substantial inefficiencies in the public service. In 1983 the OAG was seen to have been a major supporter of public service reform and was credited by the government as being a primary impetus for the introduction of PS 2000. What Roberts was questioning was why was there a sudden shift in the OAG’s treatment of the initiative at hand.

The OAG’s 1991 report made clear the role it saw for itself in relation to the PS 2000 initiative. The report stated:

In the coming years the Office will continue to seek improvements and will be watching the progress of PS 2000 with interest. In the course of our audits we will observe aspects of its implementation. The approach of the Office will be to raise questions during the reform process that need to be addressed to ensure that the objectives of PS 2000 are met. The intent will be to stimulate the debate and discussion ...57

It was a role which in the OAG’s determination was consistent with its mandate. Critics have argued, however, that this perceived role was not as conducive to implementation

56Roberts, 494.

of PS 2000 as some would have liked.

The 1992 Report of the Auditor General was consistent with its approach taken the previous year. The Auditor General noted the importance of management reform in the context of increased global competitiveness, spending restraints, and the efforts to achieve a more efficient and effective government. The 1992 report describes PS 2000 as a very ambitious initiative that could not succeed without highly visible leadership, particularly at the political level. The OAG stressed that "leadership and support must be present - and seen to be present - consistently over the long haul."

The primary focus of the 1992 report was the issue of assuring adequate control over the public service. The OAG suggested that the key to successful implementation of PS 2000 was a fundamental change in the philosophy of public management. The report was to concern itself with two issues that the OAG felt had not been adequately addressed at this point in time; the need for more effective management and greater government accountability. If public service reform proposals were to place greater emphasis on results than process, then there was an urgent need to fundamentally rethink the whole concept of control.

While acknowledging the government's need to eliminate unnecessary controls and to allow for greater delegation of authority to public servants, the OAG wondered about the direction public service reforms were to take. The government had not clarified, to the satisfaction of the OAG, whether intended reforms were to be aimed at

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fewer controls or different control measures altogether. The OAG stressed the urgent need for the government to provide guidance to the public service as to the direction in which it was headed.

Using both public and private sector organizations as research subjects the OAG undertook a study entitled "Internal Auditing in a Changing Management Culture." This study noted that the changing business environment, influenced by trends such as globalization, downsizing, increased competition, environmental protection, and new technologies, required fundamental changes in management methodologies. Underlying these challenges, the OAG noted that the organizations included in this study saw the issue of control "as essential in today's highly competitive business world."

The OAG argued that companies found that, despite global forces operating in the economy, the need for effective control had not changed. What had changed was the nature and location of the controls themselves. The trend in the business community was to eliminate unnecessary controls or to transfer controls from centralized authorities to field operations. In short, more authority was being placed in the hands of lower-level management. Such practices, it can be argued, were consistent with the proposals contained in PS 2000. The OAG suggested that government could, in this instance, learn from private corporate experience. Noting that PS 2000 would affect control and accountability, the OAG presented the challenge to government to implement a new control framework that would maintain the confidence

59Ibid., 15.
of key players; Parliament, central agencies, and public service managers. The OAG saw the key to successful implementation of reform as the relationship between major stakeholders. It was recommended that central agencies and operating departments clarify their roles and responsibilities in relation to each other.

By 1993 the OAG was stressing the need to revitalize the process of public service reform. The 1993 report included a chapter which placed Canada's public service reforms in the context of a global phenomenon of public service renewal. This chapter, entitled "Canada's Public Service Reform, and Lessons Learned from Selected Jurisdictions," concluded that PS 2000 was in danger of falling short of its potential. Stressing that the OAG had supported the principles and objectives of the PS 2000 initiative from its introduction, it was now reporting that its potential failure was due to the difficulties associated with managing the transition particularly in light of government restructuring.

The 1993 report also raised the concern that PS 2000 had been "plagued by perceptions of inconsistency and lack of coherence between the aims of renewal and other actions and initiatives of the government."60 One of the concerns of the OAG was that public service reform had not yet been reconciled with the pressures of fiscal restraint. The deficit and debt became primary policy issues. In light of these concerns the OAG argued that some of the specific measures that PS 2000 had proposed may no longer be applicable because they were inappropriate or impossible to implement. It

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was argued that the government needed to develop a strategic approach to ensure that public service reforms were to be compatible and integrated with its broader policy objectives.

The OAG's 1994 annual report once again dealt with the issue of public service renewal. This report acknowledged that PS 2000 had been subsumed into a larger, more pervasive exercise known as government renewal. Major policy reviews had been undertaken and scarce resources were allocated to the highest-priority requirements. In general terms the OAG viewed this renewal exercise with optimism but again stressed the need to ensure that the values and management principles of the public service renewal exercise received continued support by the government. The OAG appealed for strong central leadership, both political and bureaucratic, and for more regular and timely reporting on the state of public service reforms.

The issue of public service reform was raised again in the 1997 Report of the Auditor General in a chapter entitled "Maintaining a Competent and Efficient Public Service." This report continued on the theme of viewing PS 2000 within the context of the government's broader renewal exercise. It should be noted that the focus of the 1997 study was not PS 2000 but rather the public service itself. In relative terms the report was critical of the PS 2000 exercise. The report acknowledged that the general consensus was that PS 2000 had failed in its stated objective of simplifying the government personnel regime. PS 2000 had intended to improve human resource management in the public service and to reduce cumbersome rules and procedures. In
these efforts the OAG suggested it had been ineffective.\footnote{The Office of the Auditor General. "Matters of Importance and Special Interest," 1997 \textit{Report of the Auditor General of Canada}, Chapter 1, 11.}

The public service was now at a critical juncture in its history and the report raised the issue of the uncertain environment in which public servants were forced to operate. Some federal agencies were abolished and some departments were merged or had been reduced in size. Chapter One of the 1998 \textit{Report of the Auditor General} notes that:


If we are to assess the merits of PS 2000 as a reform initiative we must be cognizant of OAG’s 1997 assessment that:

recent changes with the federal government have served to create a sense of collective uncertainty about what it means to be a federal public servant, and individual uncertainty about the wisdom of choosing a public service career.\footnote{Canada, The Office of the Auditor General. "Matters of Importance and Special Interest," 1997 \textit{Report of the Auditor General of Canada}, Chapter 1, 8.}

This reads as a sombre epitaph for an undertaking of such magnitude as PS 2000.

PS 2000 was designed to enact significant change in the way in which the public service was to be managed and to articulate a new set of core values for the public service. The PS 2000 vision of a re-engineered and revitalized public service never
materialized. PS 2000 was intended to encourage the Public Service to develop a strengthened commitment of service to the public and one may question its success in this effort.

There are numerous factors that impede or complicate the measurement of successful innovation in the public service. The recent history of the federal public service is a history of successive attempts at reform. While it must be recognized that the government, as a whole, has experienced a lengthy period of fiscal restraint and expenditure reduction programs we may also be left to question the value of major reform initiatives. In 1997, nearly a decade since the inception of PS 2000 the OAG acknowledged that PS 2000 “appeared to have the potential to address specific human resource and other management issues that needed attention.”

The Auditor General, aware of the requirements of public management, was forced to explain the activity of governance in an atmosphere of risk-taking and valuing of “honest mistakes.” In raising concerns about the implementation of PS 2000 the OAG was subjected to criticism about its role in relation to this reform initiative. In terms of future reform endeavours, we must ask whether the OAG can remain in its traditional role of parliamentary watchdog and also actively endorse both the policy and the implementation of public service reforms.

The 1991 Report of the OAG also made the point of linking its view of PS 2000 to its own mission statement. The role of the OAG at this point, in its own estimation,

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64Canada, Office of the Auditor General “Matters of Importance and Special Interest,” 1997 Report of the Auditor General, Chapter 1, 2.
was “to encourage accountability and bring about improvements in government operations...”65 The QAG supported the objectives and principles of PS 2000 because they were viewed as consistent with good management practices. The potential for PS 2000 to address human resource management issues was a primary reason for the OAG supporting the initiative. Two other issues of concern were the implementation plan and the leadership required to make it happen. It was noted that past efforts at management reformed lacked concrete implementation plans. It was insinuated that Ministers and Parliamentarians must remain vigilant to ensure the viability of PS 2000.

The OAG also raised the prospect that public service management practices were perhaps too deeply ingrained to be overcome easily. It was noted that this was a significant question relative to previous public service reforms. From the OAG’s perspective it was necessary to understand those obstacles to greater delegation of authority within the public service as well as to come to terms with any pervasive institutional resistance on the part of the government or the public service itself.

The OAG’s 1991 report made clear the role it saw for itself in relation to the PS2000 initiative. The report stated:

In the coming years the Office will continue to seek improvements and will be watching the progress of PS 2000 with interest. In the course of our audits we will observe aspects of its implementation. The approach of the Office will be to raise questions during the reform process that need to be addressed to ensure that the objectives of PS 2000 are met. The intent will be to stimulate the debate

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and discussion ...\textsuperscript{66}

It was a role which in the OAG's determination was consistent with its mandate. Critics may argue however that this role was not as conducive to implementation of PS 2000 as some may have liked.

The 1992 Report of the Auditor General was consistent with its approach taken the previous year. The Auditor General noted the importance of management reform in the context of increased global competitiveness, spending restraints, and the efforts to achieve a more efficient and effective government. The 1992 report describes PS 2000 as a very ambitious initiative that could not succeed without highly visible leadership, particularly at the political level. The OAG stressed that "leadership and support must be present - and seen to be present - consistently over the long haul."\textsuperscript{67}

The primary focus of the 1992 report was the issue of assuring adequate control over the public service. The OAG suggested that the key to successful implementation of PS 2000 was a fundamental change in the philosophy of public management. The report was to concern itself with two issues that the OAG felt had not been adequately addressed at this point in time; the need for more effective management and greater government accountability. If public reform proposals were to place greater emphasis on results rather than process then there was an urgent need to fundamentally rethink the whole concept of control.


While acknowledging the government's need to eliminate unnecessary controls and to allow for greater delegation of authority to public servants the OAG wondered about the direction public service reforms were to take. The government had not clarified, to the satisfaction of the OAG, whether intended reforms were to be aimed at few controls or different control measures altogether. The OAG stressed the urgent need for the government to provide guidance to the public service as to the direction in which it was headed.

The OAG argued that companies found that despite global forces operating in the economy, the need for effective control had not changed. What had changed was the nature and location of the controls themselves. The trend in the business community was to eliminate unnecessary controls or to transfer controls from centralized authorities to its field operations. In short, more authority was being placed in the hands of lower-level management. Such practices, it can be argued, were consistent with the proposals contained in PS 2000. The OAG suggested that government could, in this instance, learn from private corporate experience. Noting that PS 2000 would affect control and accountability the OAG presented the challenge to government to implement a new control framework that would maintain the confidence of key players; Parliament, central agencies, and public service managers. The OAG saw the key to successful implementation of reform was the relationship between major stakeholders. It was recommended that both central agencies and the operating departments clarify their roles and responsibilities in relation to each other.

The 1992 Report also noted that public service values, as articulated in the
White Paper on Public Service Renewal were to be the foundation on which the necessary control measures would be built. These values stressed service, loyalty, honesty, integrity, objectivity, and prudence. Also incorporated in the government's value statement was the requirement that public servants carry out their duties in a professional manner with due consideration, and respect, for ministers, parliamentarians, the public, and other members of the public service.

By 1993 the OAG was stressing the need to revitalize the process of public service reform. The 1993 report included a chapter which placed Canada's public service reforms in context of a global phenomena of public service renewal. This chapter entitled "Canada's Public Service Reform, and Lessons Learned from Selected Jurisdictions" concluded that PS 2000 was in danger of falling short of its potential. Stressing that the OAG had supported the principles and objectives of the PS 2000 initiative from its introduction it was now reporting that its potential failure was due to the difficulties associated with managing the transition particularly in light of government restructuring.

PS 2000 was intended to foster and encourage the Public Service to develop a strengthened commitment of service to the public. Designed to enact significant change in the public service, PS 2000 offered vision of a re-engineered and revitalized public service which never materialized.

In raising concerns about the implementation of PS 2000 the OAG was subjected to criticism about its role in relation to this reform initiative. In terms of future reform endeavours we must ask whether OAG can remain in its traditional role of
parliamentary watchdog and also actively endorse both the policy and the implementation of public service reforms.

Summary

In Reflections on a Decade of Serving Parliament, his final report as Auditor General, Denis Desautels summarized the impact of the PS 2000 initiative. The 1990's had begun with a major effort at public service reform. PS 2000 was introduced as a process to reform and renew the public service, making it less rule-bound and more innovative. It would be focussed on achieving results and service to the public. PS 2000 incorporated a new management philosophy intended to decentralize authority and emphasize developing the skills and potential of staff. It involved legislative change, system change and, most importantly, a change in attitudes and practices.

PS 2000 was not without some successes. It led to the Public Service Reform Act of 1992 which modified the staffing system and provided for change in the employee classification system. PS 2000 also led to the delegation of authority from the Treasury Board to departmental officials. These accomplishments alone were not enough to rate PS 2000 a major accomplishment in the field of public service reform. The Auditor General's final assessment is as follows:

Compared with its goals for human resource management and the high expectations it raised, however, PS 2000 produced only limited results. Weak application of its principles hindered progress. For example, changing the management philosophy depended on the personal leadership of senior officials, but there were no effective mechanisms to ensure that managers observed its
basic principles. Furthermore, PS 2000 fell short of its objectives because it lacked a definitive strategy and concrete goals. In addition, financial restraint measures led to a public service strike and seriously weakened labour-management relations. The contradiction between financial restraints like a wage and salary freeze and the basic messages of PS 2000 generated employee cynicism about the depth of the government's commitment to reforms.\(^\text{68}\)

A further element also contributed to PS 2000's ineffectiveness. According to the Auditor General, political support for such reform initiatives is imperative. It must be noted that: "public service reform has never been a high priority for politicians."\(^\text{69}\)


\(^\text{69}\)Ibid., 12.
CHAPTER 4

PROGRAM REVIEW AND LA RELÈVE

Program Review

Program review is a technique utilized by both the federal and provincial governments to reduce expenditures and to ensure that departments focus on their primary responsibilities. Such reviews involve departments examining in detail and evaluating its own activities. As already noted, PS 2000 was launched during a period which witnessed intense pressures on the delivery of public services and on the public service itself. It was these pressures that led to the implementation of Program Review in the federal government. Initiated in February 1994, Program Review was an effort aimed at deficit reduction through the mechanism of expenditure reduction in government operations. Program Review represented a comprehensive examination of departmental budgets and associated activities.

Several factors, including the national debt and the deficit, led the government to pursue this major expenditure reduction. A somewhat similar undertaking had already been tried prior to the PS 2000 initiative. In 1984 the Progressive Conservative government established a comprehensive review exercise known as the Nielsen Task Force, but its effects were to be far less significant than the exercise undertaken a decade later under the Liberal government. It is this later undertaking with which this thesis is concerned.
The Program Review exercise, launched in 1994 by the Liberal government, was to have a profound impact on the federal government and more specifically on the public service itself. In our examination of Program Review it will be possible to reflect on lessons learned from this experience and it will also provide some insight into future possibilities and implications for public administration.

Program Review was organized and managed so as to give departments and agencies the responsibility to bring forward plans for effective expenditure reductions. Essentially this involved presenting plans that addressed central policy questions but reflected the strategic priorities of each entity. This suggested that each department or agency would examine its priorities and implement strategic cuts to programs rather than across the board cuts.

There were six tests of Program Review which departments were expected to use as a basis for reviewing and assessing their activities and programs. These were.\(^\text{70}\)

1. Public Interest Test - Does the program area or activity continue to serve a public interest?

2. Role of Government Test - Is there a legitimate and necessary role for the government in this program area or activity?

3. Federalism Test - Is the current role of the federal government appropriate, or is the program a candidate for realignment with the provinces?

4. Partnership Test - What activities or programs should or could be transferred in whole or in part to the private/voluntary sector?

5. Efficiency Test - If the program or activity continues, how could its efficiency be improved?

6. Affordability Test - Is the resultant package of programs and activities affordable within the fiscal constraints. If not, what programs or activities would be abandoned?

Aucoin and Savoie point out that the operative assumption behind the program review exercises is that the federal public service could be trusted to undertake this critical role while maintaining the public interest as it highest priority. Decisions made would reflect operational concerns as opposed to political ones. This reliance on public servants contrasted with previous efforts by the Mulroney government under the 1984 Nielsen Task Force which relied primarily on persons from outside the public service, most of whom were corporate private sector executives. This earlier attempt at program review was premised on the assumed superiority of management in the private sector and a general distrust of the federal public service by the Conservative government. Aucoin and Savoie note that the assumption of private sector superiority and the mistrust of public servants proved equally unfounded. They noted that "private sector managers have been able to contribute to public management only to the extent that they possess, or are willing to gain, knowledge and experience in matters related to governance and public administration."71

The fiscal measures introduced in February 1995 represented the most significant reductions to program expenditures since the end of World War II. Arthur Kroeger notes that over a three year period reductions would total some 29 billion

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dollars. By 1996-97 program spending was to be reduced to 13.1 percent of the GDP. This represented the lowest level since 1951. Concurrent with these massive reductions the public service was to be reduced by 45,000 persons. This was to have significant impact on the culture and operations of the public service. Such a large reduction in human resources directly undermined the PS 2000 initiative. The measures in the budget had the potential to effect a major change in the traditional culture of the public service:

The reduction of 45,000 employees underlines what was already a reality, that job security is a thing of the past. Large numbers of public servants too young to retire are now looking into retraining, job prospects in the private sector, and the possibility of starting their own businesses.72

Such job displacement would inevitably continue despite the fact that future large-scale reductions to the public service were not contemplated or planned. Kroeger suggested that the pursuit of the value of efficiency operationalized through measures such as contracting with the private sector for services would inevitably lead to the disappearance of public sector jobs. Therefore job security would remain an issue for public servants who remained in government. They would face a major re-orientation to the conduct of government operations.

Kroeger also noted a particular phenomenon within the public service that suggested that public servants were highly amenable to change and were enthusiastic

about meeting the challenge of Program Review. Kroeger wrote that:

No doubt the experience is unsettling for a number of people, but there is also evidence that many are finding it stimulating. A director general in the department of Agriculture has spoken of “creeping enthusiasm,” and reported that sixty of his staff of ninety had volunteered to participate in the redesign of the unit’s work.\textsuperscript{73}

What this suggests is that there has been a perceptible change in bureaucratic culture. Kroeger argues that this cultural change can best be sustained if it is matched by a change in political culture.

In Chapter 1 of the 1997 Report of the Auditor General the OAG addressed the issue of the state of the public service of Canada. Titled “Maintaining a Competent and Efficient Public Service,” this chapter sought to outline the state of the public service following the prior experience of PS 2000 and Program Review and to offer insight into the rationale for La Relève. It has already been noted that PS 2000 had been absorbed into the broader renewal exercise known as Program Review.

The focus of this study was similar to other studies conducted by the OAG. The OAG had examined public service management and reform issues, performance, values, organizational learning and innovation. A previous study in 1983 had dealt with constraints to productive management. The objective of the 1997 study was to draw Parliament’s attention to areas of concern that the OAG believed to be important to the continued well-being of the federal public service. The OAG noted that:

\textsuperscript{73}Ibid., 27.
To be competent and effective, a public service needs individuals with the requisite commitment, skills, knowledge and experience. As an organization, it also needs the ability to learn, and to adjust and renew itself in the face of continuing rapid change. 74

The OAG defined efficiency in this context as follows: “An efficient public service is one that carries out its functions in the best possible and least wasteful manner...it must innovate, learn and improve.”75 The OAG report also captured what is a fundamental theme of this thesis, that being the issue of public service values. It was acknowledged that: “Common values, strongly held, are a critical aspect of a competent and efficient public service because public administration relies on judgement.”76

The Impact of Program Review and Government Cutbacks

Program Review, combined with government cutbacks, resulted in major changes for the public service, including significant downsizing. Such undertakings threatened the integrity of other public service reforms. The Auditor General noted that “while the downsizing did not generate much labour strife, the environment was not conducive to the human resource management reforms intended by PS 2000.”77


75 Ibid., 4.

76 Ibid., 4.

consequence was that management had to concern itself with the fair treatment of departing staff, leaving little time for management reform to take place. Public servants who remained following the downsizing were faced with a stressful work environment filled with uncertainty about their future and the future of programs they delivered.

Maintaining a Competent and Efficient Public Service

PS 2000 had proposed a new public service management approach. It was to be results oriented, stressing process, reasonable rules, innovation and managing risk. The OAG believed that, in theory, it had the potential to address specific human resource and other management issues that needed attention. The objective of the 1997 study, "Maintaining a Competent and Efficient Public Service", was to draw attention to issues relative to the public service by highlighting the values of competence and efficiency.

The OAG recognized that the public service was part of a larger system of governance and was therefore affected by other elements of this system. It was the role of government to make public policy and the responsibility of the public service to manage policy implementation. Effectiveness and efficiency were noted as crucial to the quality of governance and the general well being of the country as a whole. Crucial to this undertaking of maintaining a competent and efficient public service are common values. They are important, according to the OAG, because public administration relies heavily on human judgement. The OAG noted that:
frequently, managers are confronted with imperfect and incomplete performance information and a glut of subjective opinions. Public service values provide the normative controls that guide decision making. In our view, the role of values is so critical that the quality of public administration varies in relation to the strength with which they are held. Therefore, the care and nurturing of the system supporting public service values is an issue of first importance.78

Program review, threatened the cultural environment of the public service, thereby undermining attempts at strengthening positive values. This contrasts strongly with the sentiments of the OAG which suggest that "no proponent of change wants to erode these values and undermine the commitment of the public service to act in the public interest."79

The 1997 study by the OAG concluded by stating four priority areas for public service reform. These included the renewal and rejuvenation of the public service workforce; resolving long-standing human resource management issues; establishing a more constructive dialogue on performance and partnerships; and the continuity of leadership and persistence. These themes resonate throughout our study of public service reform.

La Relève

In the aftermath of Program Review a new initiative arose to rectify the problems


79 Ibid., 10.
that still plagued the public service. La Relève actually represents not one single program but rather a series of initiatives with the central objective of creating a modern and vibrant public service. The aim of La Relève was to revitalize the Public Service of Canada by creating a workplace where people are valued, recognized, given opportunities for self-development, and treated in accordance with the core values of the public service. Articulated as an acronym it stands for Leadership, Action, Renewal, Energy, Learning, Expertise, Values, and Excellence.\(^8\)

Following on the major public sector re-structuring and downsizing of the previous decade, La Relève was intended to rectify problems in labour relations and public service morale resulting from previous attempts at public service reform. It was made necessary by the realization that PS 2000 had failed to meet its expectations due primarily to the deficit-reduction and downsizing inherent to Program Review. The net result of this failure was a demoralised and ineffectual public service.

The La Relève Task Force was established in January of 1997 and was intended to highlight the renewal of human resources management in the federal public service. It was to accomplish this by encouraging each department within the public service to prepare La Relève action plans which the task force would subsequently review. The task force was to oversee the development and implementation of corporate projects and other initiatives identified in departmental plans and it was also required to co-ordinate an overall communications plan. This initiative involved consultation with some 15,000 public servants and this can be viewed as an important

\(^8\)http://lareleve.leadership.gc.ca/menu_e.asp Web accessed 6/17/00
first step in establishing a values framework around which a better public service could be developed. La Relève is not a specific program or a project.

In concluding the First Progress Report on La Relève: A Commitment to Action, La Relève Task Force members reinforced the point that it is without an overall master plan but is instead a number of smaller but significant initiatives following a similar course of action.

Progress in meeting the La Relève challenge cannot be measured simply as the sum of individual plans and reports from central agencies, departments, functional communities and federal regional councils. What has emerged is that the most effective way to address human resources management issues is through a corporate and collective approach which emphasizes horizontal partnerships, collaboration and good communications.\(^{61}\)

This is perhaps an ideal approach to current public service reform as it allows for incremental changes to the public service without the disruption and counter productivity of previous initiatives.

The first progress report on La Relève was issued in March of 1998. This report argues that the public service has experienced a "quiet crisis" as a result of challenges stemming from such issues as globalization, new technology and the changing of attitudes toward traditional hierarchical structures. Such societal challenges require that the federal public service remain flexible and adaptable to a frequently changing environment. This new environment can be characterized by the fact that the public service is rapidly evolving to be more of a knowledge-based service sector working with

complex issues and operating with greater transparency. Challenges will include new
service delivery mechanisms, including partnerships with other entities, such as other
levels of government and private sector actors. La Relève is to be based on what has
been termed "a bias for action" in that the expectation is that responsibility for change
rests with public servants themselves. The report notes that:

There has been a growing realization that people, their skills, knowledge and
dedication are [critical] in serving citizens and supporting democratic institution. It has become increasingly evident that as much effort and attention needs to be
given to human resources management as to the development and delivery of legislation and programs.\textsuperscript{82}

The design and implementation of La Relève are to be found in the plans of
departments, functional communities and federal regional councils. In total, over 1,200
departmental initiatives originally set out these action plans. In addition to the
departmental responsibilities, seven professional or functional communities consisting
of communications, comptrollership, human resources, information, policy, record
keeping and information management and science and technology confirmed and
complemented issues that had been identified by departments. Federal regional
councils assisted in the effort by contributing their perspective on various issues.

Common themes have emerged from departmental action plans and amongst these
themes culture, values and vision play a fundamental role. This theme, discussed
throughout this thesis, suggests that there is a great deal of work and opportunity which
will result in positive outcomes for the federal public service should it be developed and
operationalized to its fullest potential. Also among the themes suggested are:

\textsuperscript{82}Ibid., 3.
organizational health, pride and recognition, demographics and workforce composition, employment equity and official languages, learning and training, development programs, recruitment and staffing, classification, communications and consultation, performance measurement and accountability, regional mobility and assignment programs and finally the workforce of the future. Of these later themes performance measurement and accountability will be developed further in Chapter Five.

The First Progress Report on La Relève: a Commitment to Action suggests that values and ethics play a prominent role in the life of the public service demonstrated by two lessons learned to date: values and ethics are part of everything the public service does and values are at the core of the renewal process. The report notes that: "values are at the core of taking pride in being a public servant, since values based on the public service mission, providing a sense of meaning and help to define what the public service is all about." 83

An important reference point for discussion of values and ethics was The Deputy Ministers' Task Force on Values and Ethics of the Public Service (1996) which dealt with the concerns of public servants. Among those issues raised by public servants during this process were issues of responsibility and accountability, the future of the public service contract, the place of new public management in government, ethical issues associated with new relationships with the private sector and new approaches to human resource management. Values which the task force itself raised were integrity, rule of law, loyalty to the public interest, accountability, respect and fairness.

83Ibid., 36.
Attachment to these values within the public service was noted to be strong although the observation was made that there was a sense of malaise, disillusionment and confusion by many public servants.

The Fourth Annual Report to the Prime Minister on the Public Service of Canada released in 1997 served as yet another benchmark in the discussion of public service values as noted by the La Relève Task Force. Since the report articulated the need for a dialogue on values throughout the public service it was agreed that La Relève itself should promote dialogue with and amongst all public servants. The dialogue on values and ethics within La Relève has been fostered by deputy ministers, heads of central agencies and federal regional councils. In the fall of 1997, as a foundation to this dialogue the La Relève Task Force published the Discussion Guide on Values and Ethics which had been prepared by the Canadian Centre for Management Development (CCMD) on its behalf.

There remains numerous obstacles to administering the public service efficiently and effectively. One such area that is cause for concern is classification and staffing. Classification and staffing reform involves matching public servants and the skills they possess with the job at hand. Given the size and complexity nature of the public service, the classification process has become somewhat unmanageable and is perceived as a barrier to flexible career development and mobility. Among other negative attributes of the system noted in La Relève: A Commitment to Action are that it is time-consuming, inflexible, rule bound and even litigious. In order to improve the system of classification and staffing a number of key reforms are taking place. A job
evaluation system based on public service values has been initiated and that involves
the input of departments, employees and employee organizations. Known as the
Universal Classification Standard its aim is to provide a simpler, more transparent and
broader-based system for work evaluation. Following decades of downsizing and
restructuring, government departments are recognizing the need to focus on business
planning requirements. This ultimately involves the recruitment and retention of needed
staff.

Early in the process of La Relève, key initiatives focussed primarily on public
service executives. These initiatives included an accelerated development program for
current executives, creation of a pool of prequalified potential assistant deputy
ministers, appointment of assistant deputy ministers to level rather than function (to
facilitate mobility and development), and the establishment of a task force to study
executive compensation. La Relève would also include a focus on policy,
communications and other functional areas.

In 1997 The Fourth Annual Report on the Public Service of Canada by the Clerk
of the Privy Council also announced the process of service-wide consultation intended
to identify needs and launch initiatives within individual departments as well as to
broaden corporate initiatives where required. The result of this process was a detailed
action plan that was endorsed by deputy ministers in July of 1997. Jack Stilborn, in
Federal Public Service Renewal - The La Relève Initiative, notes the central initiatives
of La Relève which were developed as a result. The corporate or centrally managed
initiatives included the following:
- a Recruitment, Employment Equity and retention Strategy designed to replenish and retain a competent and representative workforce;

- a Compensation program to revise executive pay, negotiate collective agreements and resolve pay equity and pension issues;

- a Universal Classification Standard to replace multiple job classifications with a simplified set of categories;

- Staffing Reform to devolve staffing authority to departments and make it more flexible;

- Pride and Recognition to strengthening internal recognition programs and outside awareness;

- Labour Relations to successfully negotiate collective agreements and broadly improve relations;

- Corporate Development Programs to broaden the executive pool and strengthen executive feeder programs; and

- Values and Ethics to maintain ongoing dialogue about values issues and promotion of core values. ^

Stilborn argues that the central issue for La Relève is whether the projects implemented do indeed make a difference. As his analysis was concluded at the end of the second year of the initiative it was argued that it was premature to reach conclusions about major (global) impacts but it was possible to identify a number of potential strengths and weaknesses whose relative impacts are to play an important central role in determining outcomes for La Relève.

Stilborn also suggests that the focus of La Relève on immediate action enables initiatives to be undertaken without delay. This fact will heighten its symbolic impact. He

further suggests that:

the absence of a convincing exploration of the underlying causes of problems in the public service opens the door to potentially serious limitations, including the dissipation of energy on symptoms rather than causes, and the avoidance of attention to the possible need for change to existing structures and leadership.\(^{85}\)

Stilborn's analysis suggests that there has been an apparent degree of strong political support for the La Relève initiative which is important because long-term success will depend on sustained political will. Political support for this is fundamentally linked to public opinion about public servants.

As noted earlier, the Program Review process was to ultimately result in a significant workforce reductions. Such major reductions created issues of stress, job uncertainty, and in some cases unsustainably heavy workloads. Many of the most talented public servants are opting to leave the public service well before retirement and exit interviews suggest that they are doing so because they feel their talents are under used, that needed internal reform is unlikely to take place, and that the public service environment itself frustrates their attempts to serve the public interest.

Reform of the public service has also been hampered by the fact that private sector employers have made great efforts to recruit public sector employees, particularly knowledge workers. Stilborn makes note of the fact that the public service has undertaken only limited external hiring in recent years and this, combined with the demographics of an aging Canadian population, is resulting in shortages of qualified people in those areas requiring new or non-traditional skills. As a result the public

\(^{85}\)Ibid., 4.
service suffers from reduced levels of creativity. The coming retirements of public servants will also impact on the operations of the public service resulting in the loss of critically important experience and knowledge. For those who remain, Stilborn notes that protracted salary freezes in the public service will result in a situation where the public servants are far worse off that their private sector counterparts.

Summary

Program Review identified a number of obstacles to serious public service reform. Fiscal pressures led to government restraint that exerted pressure on a public service that had already witnessed a protracted and relatively ineffectual process of reform. The net result of this process was cynicism on the part of many public servants. Such cynicism about the reform process ultimately affected the corporate culture of the public service and this was to ultimately impact on public service values. La Relève sought to address concerns raised as a result of Program Review through a process which sought to address issues of leadership, efficacy and credibility. The pronouncement by the Auditor General that it may have reached the end of its usefulness, dying a quiet death, may be premature.

The Auditor General, Denis Desautels, in his final report in February 2001, gives a failing grade to the La Relève initiative. He notes that: “La Relève appears to have died the same quiet death as PS 2000. The term is still in limited use but no longer prominent in communications, and it seldom appears in department plans and
There were three central issues that La Relève had highlighted: recruitment, workplace well-being, learning and development. In 1999 task forces of deputy ministers, under the direction of the Clerk of the Privy Council, dealt with the planning of the process to ensure that progress would continue. The task forces reported their findings in mid 2000 and their conclusions included an observation that workload was already a serious issue for those person needed to implement such measures and that there was a need to focus on a few elements to “reduce the risk of agenda overload.”

In short, the task forces were able to identify objectives for change but were unable to develop the specific plans needed to address them. The Auditor General notes that many initiatives are underway, but they must be prioritized and integrated. “We see extensive study of the problems but too few real steps toward solving them.”

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87 Ibid., 13.
88 Ibid., 13.
CHAPTER FIVE

MECHANISMS FOR REFORM

This chapter will examine the options available to the Auditor General to influence both current and future reform initiatives. The overall trend in government is to change the way in which its programs are delivered and how its fundamental responsibilities are undertaken. The question of whether past methods of assessing performance in the administration of government are still effective will be examined. In addition to this is an examination of international public service reforms which have provided the OAG a larger context into which it can place Canada's experiences. Fully comprehending Canada's experience with public service reform, from the view of the OAG, requires critical analysis of the OAG's work relating to international reforms.

Program Evaluation

Program Evaluation requires asking fundamental questions about a program's performance and involves the measurement and analysis of its effectiveness, that is, the extent to which it has achieved its objectives. Program evaluations provide essential information that may be used for decision making and government management. Evaluations may provide information in support of resource allocation
decisions; determine value for tax dollars; and assist public servants in their management of particular programs. The Auditor General argues that the government's program evaluation policy has not lived up to its fullest potential. Most significantly, this policy fails to meet the expectation of those outside departmental operations management, primarily at the ministerial and cabinet level. It will be necessary to question whether reform of the government's Program Evaluation policy can incorporate, or encourage, public service reform.

Program Evaluation in the Federal Public Service

According to Treasury Board, departments and agencies are responsible for strategically evaluating their own policies and programs. Then departments are expected to use these findings in their decision-making and accountability reporting. Although there is great potential for Program Evaluation to contribute to better government it has not, despite over three decades of activity, developed into a fully effective government-wide system. In the most recent past Program Evaluation and Review has become a point of focus for governments burdened with large budget deficits, a huge debt burden, and a high rate of tax.

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The Beginnings of Program Evaluation

The federal government began in the late 1960s to place greater emphasis on Program Evaluation in encouraging departments and agencies to establish Planning and Evaluation Divisions. Despite the resources being made available, the Treasury Board noted that as of 1974 very little program evaluation was being done. Initial attempts proved difficult for many reasons but particularly due to the scepticism of many senior managers and because of the lack of qualified program evaluators. As a consequence, evaluations of small, limited programs were conducted initially in order to gain experience and credibility.

In 1977 the Canadian government instituted a policy which required federal departments to conduct evaluations of their programs on a regular basis. At that time the Treasury Board was given the responsibility of directing departments to conduct such evaluations. This central agency was also responsible for setting government-wide standards as to the quality of such evaluations. The Treasury Board today continues in this role and as a result program evaluations have become a regular feature of departmental policy management.

Departments require timely, relevant and accurate information on the effectiveness of their policies and programs. Departments are expected to obtain information on policies and programs specifically in relation to three criteria: their continued relevance, the results produced, and the opportunities for the utilization of
alternative, cost-effective policy instruments or program delivery mechanisms. The departments are required to report evaluation findings in a manner consistent with both Cabinet and Treasury Board procedures and external reporting requirements.

The OAG's review in 1977-78 found few examples of successful program evaluations. At that time the Government Policy Circular (Treasury Board, 1977-47) required all departments and agencies to establish procedures to evaluate the efficiency and effectiveness of their own programs. In 1978 the Office of the Comptroller General was established and given responsibility for implementing the government's Program Evaluation Policy. Two documents provided the subsequent policy framework: Guide on the Program Evaluation Function (May 1981) and Principles for the Evaluation of Programs (September 1981).

In 1983 the Auditor General noted that significant progress in establishing a program evaluation function in departments and agencies had been made since 1978. All of the 19 departments and agencies included in the audit had established corporate program evaluation units. Departments were, by then, required to develop long-term plans to evaluate their programs. Most had complied with this requirement. Although enthusiastic about the noted improvements in the quality of evaluations performed, the Auditor General's Office also indicated that further improvements would be required.

Notable among its findings was the point that a "significant proportion of evaluation assessments did not form an adequate basis for sound advice to the deputy

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[minister] for planning the evaluation study."\textsuperscript{91} During its review the OAG found that there were significant weaknesses in the methodology used in carrying out evaluation work. The review "found poorly designed questionaries; unreliable data; data that were incomplete and/or lacked objectivity; inadequately specified sample designs; and samples that were too small for the purpose intended or biased."\textsuperscript{92}

One contentious issue was the conducting of evaluations of interdepartmental programs. As of 1983 policy guidelines failed to specify procedures to be followed. As a consequence interdepartmental programs were not systematically subjected to the same type of orderly review and evaluation as programs administered within single departments. Therefore programs which consumed considerable resources were virtually immune to effective review. Initially Crown Corporations were not subject to program evaluation but by March of 1983 five Crown Corporations had established program evaluation functions.

\textbf{The 1993 Report of the Auditor General}

The issue of program evaluation was given a higher profile by the fact that the 1993 Auditor General's Report include three chapters on the subject. This report noted that the essential components of a program evaluation system were in place, that


\textsuperscript{92}Ibid, 3.
departments had established program evaluation units, and that central responsibility was in place under the auspices of the Secretary of the Treasury Board and the Comptroller General. It was also noted that despite the fact that the government had required that programs and policies be evaluated for over sixteen years, program evaluation had not yet met government expectations.

The 1993 Auditor General's report defined program evaluation as a disciplined assessment of government programs and activities, based on independent, systematic measurement and analysis, carried out to meet expectations as set out in government policy and standards. Among some of the criticisms of the evaluation system were the fact that many programs were not evaluated in a timely manner with due regard for relevance. It was also noted that large-expenditure programs continued to evade evaluation. The Auditor General pointed out that the government was gradually losing the capacity to do evaluation because of reductions in the resources available for it.

During 1991-92, despite great interest on the part of cabinet and parliamentary committees, only $28.5 million was spent on program evaluation in all federal government departments combined.

One significant factor in the low priority given program evaluation was the fact that it has taken place in specific departments rather than in central agencies such as

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the Treasury Board. Government requirements for program evaluation are set out by the Treasury Board in a policy that includes combining self-evaluation by the departments responsible for implementing the programs with central agency efforts restricted to such things as the provision of technical assistance to departments, quality control and oversight.

The purpose of program evaluation is to provide information on three basic evaluation issues. Evaluations are conducted to determine if a particular program is relevant, successful and cost-effective. It is intended that evaluations will be used to confirm, improve or discontinue those programs which the evaluations review. This, theoretically, allows for departmental management to use it as a means of improving operations and of providing motivation for change. In essence, program evaluation serves as a method of resource management. Program evaluation has utility outside of the line departments, yet the 1993 audit found that the concerns of those stakeholders were not being met. Of immediate concern are the requirements of senior echelons of government management, primarily at the ministerial and cabinet levels. The evaluation system is more oriented towards meeting the requirements of departmental managers than those of central agencies, ministers or Parliament.

In principle, program evaluation should ensure that ministers are aware of the impact of policies and the cost effectiveness of programs relative to the alternatives, allowing for the monitoring of departmental performance. Ministers need to know the

cost of government programs and what results are being achieved. The allocation of resources amongst competing programs could then be made on the basis of empirical evidence. Evaluation must provide information required for decision making and government management. The Auditor General noted that requests for evaluation studies from Cabinet occur ten to twenty times per year.\textsuperscript{96} A review by the Ministerial Task Force on Program Review, undertaken in 1985, reported that the material provided by departments to the task force was insufficient to meet their requirements.

Some of the major shortcomings, resulting in unfulfilled expectations, are highlighted in the 1993 Auditor General's Report. These shortcomings stem from a number of areas including: lack of direction, poor delivery of information, incompleteness of evaluations, quality and credibility concerns and the lack of a systemic approach to multi-departmental evaluations. Also of concern was the lack of priority given to large-expenditure programs. Much of the evaluation effort is directed to smaller activities and deals with primarily operational questions. As a result reliable evaluation findings on major government programs is not readily available. Another fundamental problem noted in the 1993 audit was the fact that there was often incomplete coverage of tough evaluation questions such as program relevance or cost-effectiveness. Only about half of all program evaluations dealt with such issues and those that did deal with these issues did so ineffectively.

The 1996 Report of the Auditor General

The period between the 1993 audit and the 1996 audit was one in which fiscal pressure led the government to fundamentally reconsider many of its programs. It was also a period of constant change and uncertainty. Major changes were made to the structure of many departments and programs were cut or added or redesigned to fit into new departments. Once again program evaluation was seen as a means by which the government could provide itself with information needed to support its decisions.

The 1993 audit had recommended, among other things, that there be improvements to departmental management of evaluation and an increased leadership role by the Treasury Board Secretariat and the Office of the Comptroller General. The 1996 audit, in effect, served to measure the progress made in the intervening years. Having acknowledged the fact of a changing environment contributing to a unique challenge for program evaluation, the Auditor General's report noted that not all of the improvements recommended in 1993 had been implemented. Changes were made in central government structure and the assigning of responsibilities for evaluation. The Office of the Comptroller General was integrated into the Treasury Board Secretariat and the Government Review and Quality Services Sector of the Secretariat assumed the functions of the Evaluation and Audit Branch.

In May of 1994 the Treasury Board approved a new policy for review as well as revising its internal audit and evaluation policies. This policy details the requirements for all types of reviews. In short, current Treasury Board Policy:
recognizes the review effort and role of line and policy managers; emphasizes the value of independent and professional internal audit and evaluation; promotes an active central role in identifying government-wide priorities and in conducting selected studies of specific interest to Treasury Board ministers and encourages government organizations to make review findings accessible...  

Although this represented a positive step in the right direction it did not alleviate all of the problems noted in the 1994 audit.

In the 1994 Budget the government stated its intention to conduct a comprehensive review of its expenditure programs. The purpose of the 1994 Program Review was to ensure that the government’s scarce resources were directed to the highest priority. In February 1995 the government announced a renewed expenditure management system. This system required departments to submit business plans by which they would implement the changes required as a result of the 1994 budget. These business plans were to provide for internal audit and evaluation and to make collecting information on program performance part of the departmental planning. Oversight would be achieved through this process. This potentially linked departmental evaluation plans to the budgetary process, thereby meeting the need to ensure individual departments’ evaluation priorities reflect the government’s priorities.

The 1996 Auditor General’s Report highlighted the need for improvement in evaluation systems and procedures as progress in policy alone did not address some significant concerns. The Auditor General emphasized the need to integrate evaluation into the mainstream of management practices, decision-making practices and the evaluation systems...  

culture of departments and government as a whole.\textsuperscript{98} The Auditor General recommended that the Treasury Board Secretariat and Comptroller General develop the capacity to identify systematically the government’s priorities for evaluation. Until this happens there can be no systematic statement of government evaluation priorities nor are there any means to ensure that they were addressed.

**Program Evaluation - Summary**

Government continues to require relevant information on the effectiveness of the programs which it delivers. In the past thirty years the progress towards achieving this goal has been a slow one. The Auditor General’s Office, in its role of evaluating the evaluators, has provided ample evidence of the direction in which program evaluation needs to go. The process will inevitably remain one where change will be undertaken incrementally unless there is a major rethinking of what program evaluation is and what it purports to accomplish. Program Evaluation remains a tool by which departments, concerned with operational effectiveness, can achieve some degree of success in managing scarce resources. The phenomenon of greater interest by other stakeholders, notably central agencies, is one that will continue to influence the direction of future evaluation policies.

**Examining Other Jurisdictions**

The Auditor General, in developing an understanding of Canada’s public service

reforms, has considered reform initiatives in other jurisdictions, primarily those, like Canada, that are based on the Westminster model. The object here is not to detail the reforms of various states but rather to follow the OAG's perspective on these reforms, particularly as the Office finds them relevant to its understanding of the possibilities for Canadian reforms.

By the mid-1990's public service reform had become a recognized worldwide phenomenon brought about by a number of factors, not the least of which were excessively high levels of public debt, political demands for spending restraint, changes in technology and the impact of globalization.

In 1993 the Office, in Chapter 6 of its annual report, presented a study of public service reforms in Canada, New Zealand, Australia and the United Kingdom. Apart from its annual reports to Parliament the OAG has produced two documents that describe public service reforms in the Australian and New Zealand public services. In 1995 the Office published Toward Better Governance: Public Service Reform in New Zealand (1984-94) and its Relevance to Canada and this was followed by Reform in the Australian Public Service 1983-1996 two years later.

**Canada's Public Service Reform, and Lessons Learned from Selected Jurisdictions**

Chapter 6 of the 1993 Report of the Auditor General was designed to provide Parliament with information about the progress of the government's PS 2000 initiative within the context of reforms undertaken in other specific jurisdictions, namely Australia, New Zealand and the United Kingdom. These countries were chosen for this
study not only because they had similar Westminster style governments but because each had undertaken its own major public service reform initiatives during this period.

This study was conducted in the period preceding the June 25, 1993 prior announcement of what was to become Program Review which was to include the themes of reorganization, restructuring and streamlining of government operations, these issues having dominated the reform agenda for much of the previous decade.

The Auditor General's report recognized that three of the most important common factors influencing public service reforms in these selected jurisdictions were: 'changing economic circumstances; increasing and shifting public expectations of government; and the need to modernize public service management.\(^9\) Such pressures had propelled the Canadian public service through a decade of cost cutting measures driven by the desire for fiscal restraint. Inflexibility, burdensome and expensive managements systems were identified as fundamental reasons for reform.

New Zealand's economic crisis of the early 1980's raised the issue of redefining the role of government in terms of both the nature and extent of services it was to provide. Over an eight year period, from 1984 to 1992, the number of employees in the New Zealand public service was reduced by two thirds. Such reductions were undertaken concurrent with major structural and management changes.

Australian public service reform was linked to the issue of economic problems. However, by focussing on issues of efficiency and effectiveness of resource use such

reforms were articulating the reality of constraints on public resources.

In Canada, fiscal restraint was but one factor that shaped PS 2000 and Program Review. In New Zealand and the United Kingdom, public service reforms evolved from economically driven changes in government. Economic pressures were also to influence Australian reforms of the 1980s.

Chapter 6 of the 1993 Auditor General's Report noted several common themes involved in public service reform in these four countries. The first among these was a focus on results and accountability. Secondly the issue of delegation of authority and responsibility as well as the issue of empowerment were identified as necessary components of reform. A third common theme was the streamlining and simplification of administrative systems that led to a focus on service orientation. The fourth common element of reform reflected ideological concerns that reform initiatives were to incorporate a more businesslike approach to the management of public resources.

In Canada PS 2000 placed greater emphasis on results based management and thereby required a change in organizational culture. Client consultation and service were to be primary elements in a new philosophy of government. It was expected that the development of departmental mission statements, clearly articulated service standards and holding deputy ministers accountable for these issues would clearly bring about a change in organizational culture.

Australia's focus on outcomes and the inherent cost of achieving them required a major overhaul of the budgetary system. Reforms to budgeting and related financial measures placed greater focus on objectives, performance information and evaluation.
Toward Better Governance: Public Service Reform in New Zealand (1984-94) and its Relevance to Canada

*Toward better Governance* attempted to place public administration reforms in a global context. The OAG, in preparing this document, expressed the view that much can be learned from the sharing of reform ideas with a view to fostering improvements in governance. It represents a more detailed examination of New Zealand’s public service reforms than that which was carried out in Chapter 6 of the 1993 report of the OAG.

In the decade preceding this study the government of New Zealand had undertaken sweeping reforms of social and economic policies relating to the public sector. Because of the degree of change, it represents a nearly complete rethinking of government and the delivery of public services. This study focused on reform of New Zealand’s core public service. It examined the principal stages of a decade of reforms that included commercialization, corporatisation and restructuring during the period from 1984 to 1987. This was followed by fundamental changes in management and accountability (which were initiated in 1988-89) and later initiatives of the mid 1990's which sought to perpetuate and consolidate these reforms. The Auditor General noted that certain aspects of the New Zealand reforms may well be worthy of adoption or adaptation to the government of Canada.
Reform in the Australian Public Service

This study was commissioned with the intent of learning from this particular jurisdiction about similar challenges faced by Canada. In introducing this work the authors noted that:

Our studies of foreign jurisdictions, in particular, have been undertaken in order to put Canadian federal public service renewal - now subsumed under a more pervasive "government renewal" exercise - into the broader context of reforms under way internationally, given that much can be learned from the ideas and experiences of others who face similar challenges.\(^\text{100}\)

Reform in the Australian Public Service resembled Chapter 6 (1993) and covers the period 1983 to 1996 and was intended as a resource document for government officials, OAG staff and others. The authors were clear in indicating that the information and analysis were not based on audit format and should not be confused with other VFM audits undertaken by the Office. It was argued that the subject of public service reform was far too broad a topic in terms of its scope to be amenable to audit procedures. The methodology utilized in this study included a review of literature, including official documents, discussions and interviews carried out in 1993 with senior officials in the Australian government. The authors excluded from the study those reforms relating to the federal system and intergovernmental relations due to the scope of the study.

In its conclusion, the report notes that both the Australian and Canadian

governments experienced challenging and difficult economic circumstances combined with increasing and shifting public expectations of their respective public services and indeed of government itself. Structural change as well as changes in systems and practices of public service management were required to modernize their public services.

Summary

This chapter examined those mechanisms by which the Auditor General can influence public service reforms. Fundamental to the work of the OAG is the subject of program evaluation. VFM auditing, covered earlier in this thesis, produces evaluations of government programs. Program evaluation, consistently applied delivers factual material by which the efficiency, effectiveness and usefulness of a program may be measured. We have examined various reform initiatives that have been rather large scale endeavours. Program evaluation focuses specifically on the delivery of specific programs. The opportunity here is for the OAG to focus on the relationship of public servants to the specific programs they deliver. It can be argued that because the public service is so large and delivers such a wide range of services it cannot be reformed by one universal message or initiative. Should the government adopt such a strategy of program by program reform it will be incumbent on the OAG to provide consistency in measurement and evaluation methodology.

Examining other jurisdictions provides the OAG with the opportunity to present
Canada’s reforms in the context of other global phenomena. Although Canada’s experience will ultimately have a distinct Canadian character it does possess some similarity to reforms undertaken internationally. The OAG’s work with respect to this issue provides Canadian reformers with insight into policy outputs or consequences.
CHAPTER SIX

THE AUDITOR GENERAL AND CURRENT PUBLIC SERVICE REFORMS

The 1997 Report of the Auditor General included a chapter "Maintaining a Competent and Efficient Public Service." This report was prepared at a time when there was great pressure for significant change in the federal public service. The OAG had to this point examined public service management and reform issues, including performance, values, organizational learning and innovation. This study was undertaken with the intent of drawing attention to some of the areas that were believed to be particularly important to the continued well-being of the federal public service.

The focus of this particular study was the traditional public service which comprised, as of March 1996, about 207,000 people. Although this study specifically targeted the core public service, the authors of the report suggested it could very well apply to a significant portion of the broader federal public sector, that is those persons and organizations not employed under specific legislation used to define the public service of Canada.

In conducting the research for this chapter the OAG held discussions with executives and individuals, primarily within the public service. The research team also relied on the findings of previous OAG studies. An extensive review of public

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management literature was conducted as were focus group discussions. Also consulted were provincial officials, union executives and international public administrators.

The OAG sought to define the public service in terms what it should ideally be with respect to competency and effectiveness:

to be competent and effective, a public service needs individuals with the requisite commitment, skills, knowledge and experience. As an organization, it also needs the ability to learn, and to adjust and renew itself in the face of continuing rapid change.\textsuperscript{102}

The April 2000 Report of the Auditor General included a chapter on human resource management in the public service. In announcing this report, Denis Desautels noted that:

there is an urgent need to deal with long-standing issues and emerging challenges for human resource management in the public service... [there is] the need to simplify, streamline and strengthen the current regime and to clearly assign responsibilities in areas shared by deputy ministers, the Public Service Commission and the Treasury Board.\textsuperscript{103}

The aim of this report was to bring to the attention of Parliament those long-standing issues, as yet unresolved, as well as highlighting new emerging challenges in the field of human resource management in the public service. The report's stated objective was to:

\textsuperscript{102}ibid., 3.

http://www.oag-bvg.gc.ca/domino/media.nsf/html/000pr09_e.html
identify problems with roles and responsibilities and related accountabilities for human resource management and changes needed to enhance the current and future capacity of the public service to serve ministers and the Canadian public in a rapidly changing environment.\textsuperscript{104}

This study focused on the structures governing human resource management, fundamentally the legislative framework and the roles and responsibilities of the Treasury Board, The Treasury Board Secretariat, the Public Service Commission, the Privy Council Office and line departments. In all, some twenty departments and sixty agencies were studied. These were organizations that were subject to the authority of the Public Service Commission and compromising what is described as the "core" public service which includes those services for which the Treasury Board, on behalf of the government, is the employer.

The OAG suggests that the current framework governing human resource management is "unduly complex and outdated." Although the public service has been the subject of reform initiatives for over three decades, administrative systems remain cumbersome, costly and outmoded. The contemporary environment, it is argued, demands greater flexibility and adaptability given an increasingly competitive labour market. The human resource management regime of the public service has been extensively reviewed and analysed and the fact that it remains in its current state suggests the implementation of previous initiatives has been inadequate.

In 1962 the Glassco Commission sought to determine how changes in the

relationships among the Treasury Board, other central agencies and line departments could help to improve efficiency, economy and service to the public. Glassco argued that substantial changes in the framework were required. Although some of Glassco's recommendations contributed to the design of the 1967 legislative framework still operating in the public service, some recommendations were never implemented, including those pertaining to the merit system and the Public Service Commission's role. This, the OAG has noted, remains problematical today and has serious implications in terms of accountability and efficiency.

In 1979 the Special Committee on the Review of Personnel Management and the Merit Principle, also known as the D'Avignon Committee, called for significant changes in the way human resources were managed in the public service. D'Avignon echoed many of Glassco's concerns about divided responsibility, unclear accountability, the role of the Public Service Commission and the staffing process.

The 1979 Lambert Commission identified problems similar to those raised by the D'Avignon Committee despite being established to look at matters of financial management and accountability and to examine specifically the issue of financial management. It noted, however, that personnel management was equally as important, if not more so, than financial management in achieving overall management of government activities. Lambert noted that parliamentary oversight was limited because of ill-defined or fragmented responsibility and accountability frameworks.
Public Service Values

Public service reform, from the viewpoint of the OAG, inevitably involves discussion of public service values. The Office has acknowledged the importance of establishing and sustaining ideal public service values inherent in any future consideration of reform. In recognizing the importance of a values framework the office has completed Chapter 12 of the 2000 Annual Report entitled “Values and Ethics in the Federal Public Sector.” This chapter, tabled on October 17, 2000, calls for extensive dialogue on the issue of values and ethics in the public service.

Unfortunately this report does not differentiate between “ethics” and “values” per se. Throughout this report both words are used synonymously and interchangeably with no obvious distinction being made between them. This inevitably complicates analysis of the OAG’s position on values specifically. For the purpose of this thesis the term values has been defined as “enduring beliefs that influence the choices made by individuals, groups, or organizations from among available means or ends.”

Subsequently, ethics, in the administrative sense, are defined as “principles and standards of right conduct in public organizations...” Ethics imply a moral decision.

The Auditor General noted that the public sector’s recent history of deregulation, downsizing, contracting out, increased delegation of decision making and


106Ibid.,677.
partnerships with the private sector has been made possible because of reliance on a strong foundation of values and ethics characteristic of the public service. The process of restructuring government has, however, taken its toll on the morale and even the work ethic of many public servants. Whereas in the past public servants had relatively secure tenure in their positions as a fundamental aspect of their working relationships to government, the current work environment is one of great uncertainty and insecurity. Jobs can be eliminated as a matter of policy with little regard for the public servant. Many institutional values are affected through this process. For instance, the issue of loyalty to the government, to the particular institution in which one works as well as to other public servants is fundamentally altered and replaced with a greater concentration on self, in the extreme, mere survival in one's job becomes an all important point.

The OAG notes that the increased emphasis on values is reflective of those changes in government structure and new approaches to governance:

deregulation and the reduction of management supervision and the corresponding emphasis on the empowerment of employees, changes in public service values, the growing number of alternative service delivery agencies, the increasing partnerships with the private sector, the privatization of certain government services and greater public scrutiny of government programs. 107

Throughout this thesis it has been demonstrated that the optimal chance for sustainable public service reform is dependent to a large extent on the identification, adoption and promotion of positive public service values. Chapters two, three and four

detailed various structural and procedural changes that failed to produce sustainable results in the reform process. On the basis of that material it could be argued that future federal governments can no longer afford massive structural reforms without further jeopardizing both the morale and the capabilities of the public service. A focus on values allows for reform with minimal disruption. Some values such as service to Canada and Canadians, loyalty to the elected government, honesty, integrity and nonpartisanship, prudence in the use of tax dollars, fairness and impartiality, professionalism, respect for ministers and parliamentarians remain constant. Traditional values also include neutrality, accountability, efficiency, effectiveness, responsiveness, representativeness, integrity, fairness and equity.

The 2000 report reviews values initiatives to date, those which provide the 'strong' foundation while observing that they remain limited in their preliminary stages. The report then goes on to propose priorities and a framework on which future action can be based. The OAG suggests that priorities must include clarifying the principle of ministerial responsibility and the responsibilities of officials as well as explaining to all public servants the laws and policies relating to their conduct. Subsequent to this it is also important to establish avenues for voicing concerns about values and ethics.\footnote{Ibid., 16.}

The Auditor General has stressed the need for the federal government to develop an implementation plan, with specific deadlines to address values and ethics priorities across the public sector and in all federal organizations. Fundamental to the issue of ensuring appropriate values is the issue of leadership. Any framework should,
according to the OAG, promote values and ethical conduct by the leadership both in the government and in the public service itself.

**Background to the 2000 Study**

The OAG, in May 1995, reported to Parliament on ethics and fraud awareness in government. In 1996 the government issued *A Strong Foundation: Report of the Task Force on Public Service Values and Ethics* more commonly known as the Tait report after its chairman John Tait. These two reports, according to the OAG, contributed to building a consensus on the issue of public service values and ethics which unfortunately has not permeated the entire public service. The OAG notes that, "as part of good governance efforts, several departments are implementing major values and ethics initiatives. Others do not assign a high priority to developing comprehensive values and ethics initiatives."\(^{109}\)

**Summary of the 2000 Report - Values and Ethics**

The objective of this study was to stimulate sustained discussion and action on values and ethics by Canadians and members of the federal public sector. The chapter

\(^{109}\)Ibid., 2.
reviewed major values and ethics initiatives undertaken since the May 1995 Report to Parliament. The study focussed on values and ethics programs and initiatives that promote ethical decision making. Although it did not make the distinction between ethics and values that has been used throughout this thesis it must be recognized that much of what is said about “ethics” implies the use of the word “values”.

First among those values with which the OAG is concerned is that of probity or honesty in the public service. According to the OAG, probity is maintained through financial and management controls assisted in a great part by sound values and ethics. While the OAG acknowledges that the federal government is taking steps to maintain the public sector's strong foundation of values it suggests that such initiatives be carefully developed, implemented, and monitored. Even with such initiatives the OAG notes that it is unrealistic to expect that by themselves they will, or can, ensure probity. The 2000 report notes that “a considered balance of reliance on financial and management controls and on values and ethics approaches is required.”

Chapter 1 of the May 1995 report, “Ethics and Fraud Awareness in Government,” recommended an ethics framework for government, consisting in part of a statement of principles, leadership, empowerment of public servants, transparent decision making, ethics-related training, a mechanism for discussion of and reporting ethical concerns and establishing a continuous process making ethics a conscious part of daily operations and decision making. Probity, the OAG suggests, should be a fundamental concern of parliamentarians, ministers, federal entities and organizations and individuals that

\[110\]bid., 3.
receive funding from or conduct business with the public sector.\textsuperscript{111}

According to the OAG, the increased emphasis on values and ethics reflects changes in both the government's structure and in its approach to conducting its business. Among these significant changes were: the focus on deregulation and the reduction of management supervision and the corresponding emphasis on the empowerment of employees, changes in public service values, the growing number of alternative service delivery agencies, the increasing partnerships with the private sector, the privatization of government services and greater public scrutiny of government programs. The OAG expects that the near future will become even more complex as there is a requirement to replace retiring employees with new employees and as entrance to and departure from the public service by those employees becomes more frequent.\textsuperscript{112}

Following the 1995 Report there have been significant values and ethics initiatives in the federal government. In December 1996 \textit{A Strong Foundation: Report of the Task Force on Public Service Values and Ethics} (Tait Report) was published and was subsequently reissued in January of 2000 by the Canadian Centre for Management Development (CCMD). In April 1998 the Organization for Economic Co-operation and Development (OECD) set out its \textit{Principles for Managing Ethics in the Public Service}. The OAG notes a common theme expressed by these major works on values and ethics: "the promotion of values and ethics is an essential part of a good

\textsuperscript{111}\textit{Ibid.}, 3.

\textsuperscript{112}\textit{Ibid.}, 3.
governance framework that needs to be continually and systematically addressed to help ensure probity and the long-term viability of federal entities.\textsuperscript{113}

The objective of the OAG’s 2000 Report was to “stimulate sustained and transparent discussion and action on values and ethics by Canadians and members of the federal public sector.”\textsuperscript{114} The study focused on values and ethics initiatives that were viewed as promoting ethical decision making as part of a comprehensive approach to good governance in federal entities. The OAG acknowledged that its own observations made in this study integrated the OECD principles as well as federal reports previously mentioned.

The Tait Report had served as an important means of establishing a consensus on the issue of values and ethics in the public service as it focussed on values and ethics deemed fundamental to the operations of the public service. The Tait Report proposed the adoption of an “ethics regime” which echoed the concerns of the OAG’s May 1995 Report. However, in January 2000, “the Treasury Board Secretariat informed deputy ministers that most public servants had not heard of the Tait Report nor had they participated in or were aware of the ongoing discussions related to the report.”\textsuperscript{115}

In 1999 the Treasury Board surveyed public servants and the results of this undertaking suggests that there are vulnerabilities in the area of values and ethics. The results suggest that most public servants were respected by their co-workers and most

\textsuperscript{113}Ibid., 4.

\textsuperscript{114}Ibid., 4.

\textsuperscript{115}Ibid., 5.
believed that their work units operated in an open and honest manner. However, the OAG was greatly concerned that a significant number of public servants strongly or mostly agree that they cannot explain to others the vision, values, or mission of their department or agency. Public servants have also expressed concern about fairness in obtaining promotions, conflicts with superiors, and that management will not effectively resolve the concerns raised in the survey. Since the May 1995 Report of the OAG there have been further major values and ethics initiatives (see appendix B of the 2000 report).

Post-Secondary Recruitment in the Public Service

The December 2000 Report of the Auditor General, Chapter 21, examined the Post-Secondary Recruitment Program of the federal public service. This study highlights a number of issues affecting the current and future state of the public service. The purpose of the OAG audit was to determine the extent to which the Post-Secondary Recruitment Program will enable the government to renew its professional and management work force and to assess the effectiveness and efficiency of the program.

This study by the OAG found that although the Public Service Commission is recruiting qualified candidates it is not attracting enough candidates to meet the future requirements of the public service. This situation in viewed by the OAG as a problem which the government must immediately address in order to continue to deliver its
programs and services. The government's ability to address the recruitment problem remains a cause for concern for the OAG.

The OAG found that the recruitment program had substantial weaknesses in terms of its efficiency and effectiveness. Forecasts of recruitment needs have not been clearly articulated. It was noted that without a clear idea of the number and type of employees needed it would be difficult to establish clear recruitment levels from which appropriate recruitment strategies could be developed. Compounding this problem is the fact that recruitment levels under the program have not been met consistently. The OAG has suggested that the Public Service Commission become more aggressive in its recruitment of university graduates and do more to promote the public service as a career choice to graduates. Further complicating the effectiveness of the recruitment program is the fact that few departments participate in it. The OAG noted that the Commission does not establish and manage inventories of qualified candidates for departments. Another concern of the OAG is the fact that the program has not been consistently and systematically evaluated in order to improve effectiveness and efficiency. This, it was noted, complicates the government's attempts to take appropriate corrective action with respect to recruitment problems.

The problems with the Post-Secondary Recruitment Program are critical because of the lack of time left to address these problems. The demographics of the public service suggest that a major change in the public service will inevitably happen as those who work in it age, retire and otherwise leave the public service. The public service has an aging workforce. According to the OAG seventy percent of public
service executives could retire by the year 2008 and the public service will be unable to replace them because the feeder groups have the same or a similar retirement profile.¹¹⁶

It also takes an average of ten years service to prepare a public servant to fill an executive position. This is further complicated by the fact that the public service has traditionally hired at the entry level and continued to promote from within the service. Section 11 of the Public Service Employment Act mandates “that appointments shall be made from within the public service except where, in the opinion of the Commission, it is not in the best interests of the public service to do so.”¹¹⁷ According to the OAG only 18 percent of public servants in the Executive, Administrative, Foreign Service and Scientific and Professional categories are under the age of 35. Forty-five percent of the workforce is over the age of 45. It should be noted that this problem was exacerbated during Program Review in which many employees, primarily younger employees, left the public service under a departure incentive program and subsequent to this was the fact that hiring during this period was extremely limited.¹¹⁸

The OAG audit of the Post-Secondary Recruitment Program is important to the issue of public service reform in that many of the problems raised during the audit will


¹¹⁷Quoted in the December 2000 Report of the Auditor General, Chapter 21, 3.

remain as significant factors in any future reform initiatives. The 2000 audit was not intended to address specifically the issue of reform but the work of the study highlights the environment in which any reform can take place. In nearing the conclusion of this thesis it must be noted that in the future major reform initiatives such as those examined in this thesis will not be possible. There is little left to restructure, few enough public servants to downsize and the public service itself has passed its threshold of reforms. What the 2000 audit suggests is that reform must inevitably be a continuous, well articulated, and fully developed program that must enhance the public service over the next few decades.

Public Service Management Reform: Progress, Setbacks and Challenges

In February 2001 the OAG published Public Service Management Reform: Progress, Setbacks and Challenges. The Office released this report along with three other papers which had been prepared for the office. These papers are Looking Back From 2000 at Public Service 2000 by John Edwards, former manager of PS 2000; Comparative Perspectives of Canadian Public Service Reform in the 1990s by Peter Aucoin and Distant Reflections on Federal Public Service Reform in the 1990s by Ian D. Clark, former Secretary of the Treasury Board and Comptroller General of Canada. This OAG report and the works noted above will undoubtably further the issue of federal public service reform in Canada in the near future and will probably influence future reform initiatives. In September 2000 these works provided a basis for
discussion at a symposium organized by the OAG involving a number of current and
former senior public service officials and other knowledgeable individuals.

*Public Service Management Reform: Progress, Setbacks and Challenges* was
intended to provide a broad assessment of progress under the main themes and
objectives of public service management reforms during the 1990s as well as providing
the OAG's perspective on the challenges the government would face in continuing the
process of reform. This report also details those aspects of reform which the OAG
believes serve as essential prerequisites for success. The OAG, in this report, revisits
many of the important themes covered in this thesis: PS 2000, Program Review and La
Relève.

As noted previously, PS 2000 was designed to significantly streamline systems
and processes as well as modernize management practices as a response to the
concerns of public service executives who believed that the centrally prescribed
administrative regime was overly complex, costly, time-consuming and inflexible. Also
of importance and concern was the reality of fiscal pressures on budgets throughout
the 1980s and into the 1990s. PS 2000 was initiated by a government White Paper,
*Public Service 2000: The Renewal of the Public Service of Canada* issued in December
of 1990. The White Paper noted the need to modernize a public service that was
experiencing rapidly changing circumstances. In short it was to move the public service
orientation away from process and risk aversion to a focus on more innovation, service
quality and results. Authority would be decentralized and the public service would
nurture both the skills and potential of its employees. PS 2000 would match authority to
responsibility and promote flexibility in management.

La Relève, as we have noted in previous chapters, did not intend legislative or structural change to the public service. It focused instead on what could be done within the existing framework. Theoretically this was an obvious strength of this initiative in that it would cause little disruption to the environment and culture of the public service as a whole. La Relève sought to modernize human resource management, address demographic challenges, foster values of service orientation, support learning and development and develop inspired leadership.

The Auditor General recognized that there were parallel initiatives to PS 2000 and La Relève but Public Service Management Reform: Progress, Setbacks and Challenges focused on only these two major initiatives. What is important to note from the view of this thesis is that these other initiatives sought to reinforce values of effectiveness, efficiency and economy in public administration as well as the value of accountability, primarily accountability to Parliament. The rationale for this focus on these two initiatives in this study was:

  to provide a broad assessment of the progress under the main themes and objectives of the two initiatives, a perspective on the challenges the government and public service leaders now face in moving forward with needed changes, and our views on the prerequisites for their success.119

Other studies and audits carried out by the OAG sought a more in-depth analysis of particular aspects of various reforms such as public service downsizing, service quality,

performance measurement and information for Parliament. In this current study (February 2001) there are several references to management practices and reforms in other jurisdictions although the OAG does not offer assessments of such initiatives. This thesis has reviewed the work of the OAG in some of these areas.

In assessing Canadian efforts at public service reform through the 1990s the OAG noted progress in a number of key areas and yet has expressed concern about the lack of attention given to aspects of the management framework proposed by PS 2000 and to the fact that human resource management reform has seen little progress since. This, however, was not meant to imply that nothing was accomplished, as we shall see many PS 2000 recommendations have been carried out. Flexibility in allocating budgets was one such area of success. Central controls were streamlined in many areas and departments received more authority in aspects of procurement. PS 2000 entailed placing a greater emphasis on service to the public and this was achieved to some degree but the OAG expressed the belief that more could be done. In assessing the government's ability to report and focus on results the OAG found disappointing progress over a period of several years in that there were problems in measuring results and using the information to improve programs and services and reporting it to Parliament. This aspect was covered in Chapter 5 of this thesis.

The OAG has found weaknesses in the government's management control framework. OAG audits have highlighted such problems and have recommended corrective actions. Among the OAG's recommendations are that the accountability of deputy ministers and departmental management teams must be strengthened through
implementation of performance management programs. The OAG also points out that it is the responsibility of the Treasury Board Secretariat to monitor the quality of key departmental management systems. It noted that:

The Treasury Board’s development of this management framework is encouraging, but much work remains before it is fully in place, and some Treasury Board Secretariat officials are concerned that the Secretariat may not have the necessary skills and resources to fulfill the role envisioned for it. These concerns must be addressed, and the Secretariat’s capacity to effectively monitor departmental controls and performance must be assured. ¹²⁰

One of the most important concerns of the OAG over the last decade has been human resource management. Although there has been a great deal of interest and focus on this issue by senior officials the results have been disappointing. The OAG is aware that the human resource challenges today are even greater than during the introduction of PS 2000. There is a potential leadership crisis in the public service as many public service managers reach retirement age and there is an under-representation of youth. Other issues such as labour relations must be resolved and increased competition for workers by the private sector must be addressed in future reform initiatives.

In order to meet the challenges facing the public service the OAG recommends that it is most important to set a reform agenda that will have the strong support of ministers. Past reform initiatives both in Canada and in other countries have demonstrated the need for strong political support in order to achieve success. Support must also come from the Clerk of the Privy Council. It has been noted by the OAG that

¹²⁰Ibid., 9.
this position has:

the capacity to influence the appointment and priorities of deputy ministers, their accountability for performance, and their remuneration, development, reassignment and removal ... the Clerk can provide leadership that is vital in setting a challenging corporate agenda of reform and holding colleagues accountable for giving it effect. The Clerk has a similarly important role in rectifying the too-frequent rotation of deputy ministers and others who have central responsibility for management.\textsuperscript{121}

The current challenges facing the public service necessitate reform and this fact has been acknowledged by the Auditor General. The public service has a need for rejuvenation and renewal as well as a need to modernize and simplify systems of human resource management. Any current or future endeavour must incorporate the lessons gleaned from past experiences. Public service reform, if handled poorly, can undermine the very institution it is intended to revitalize. Such reforms can lead to morale problems, a serious loss of corporate memory and even problems with compliance amongst those required to carry out various initiatives. This, in essence, is the fundamental concern of the OAG.

Current public service reform initiatives suggest that values held by the public service will figure prominently in future reform undertakings. In its press release accompanying the October 2000 Report, Chapter 12, the OAG noted that "the Auditor General stresses that in the context of deregulation, downsizing, contracting out and increased delegation of decision making and partnerships with the private sector, the government is increasingly relying on a strong foundation of values and ethics to make

\textsuperscript{121}Ibid., 26.
decisions in the public interest.\textsuperscript{122}

Results of Management Reform 1990-2000

The OAG assessment of public service reforms in the 1990s showed that some progress has been made in a number of areas. The OAG has expressed, however, serious concerns about the lack of attention given to certain aspects of the management framework presented in PS 2000. Those aspects of reform that were introduced included greater flexibility in budget allocation, streamlining central controls and giving more authority to departments in procurement and the use of central services. The OAG noted that reforms relating to service to the public were encouraging but left much more room for improvement. It was also noted that reforms which focused on results, seen as very important by the OAG, were disappointing. Most significantly, more information on results is required: hence the emphasis on Program Evaluation in the previous chapter. Reforms of the 1990's, particularly Program Review, meant changes of policy functions although as late as 1996 it was found that there were shortages of some key skills in this area.

Perhaps one of the most significant points made in Public Service Management Reform: Progress, Setbacks and Challenges that is related to this thesis is that the lack of success in human resource management remains a major weakness in the reform

process. Legislative and systemic changes were made but collectively they had little impact on the public service. In 1992 the Public Service Reform Act maintained the basic legislative framework for human resource management that had been previously enacted in 1967. Of the human resource management system the OAG states that it “remains costly, time-consuming and overly complex. It is still a source of major frustration for both managers and employees...” A particular area of concern for the OAG is that responsibility for human resource management is divided between the Treasury Board and the Public Service Commission. PS 2000 was intended to resolve this issue but this aim was not achieved.

In concluding Public Service Management Reform: Progress, Setbacks and Challenges the OAG restated its rationale for this study:

We undertook this study of the efforts at public service reform over the last decade to provide parliament with a broad assessment of their progress, a perspective of the challenges the government and the service now face in moving forward with needed change, and our views on prerequisites for success.

PS 2000 and La Relève served as the focus of OAG studies during the 1990s. According to the OAG perception of these two initiatives:

PS 2000 was designed with the aim in mind to streamline and modernize the public service management regime and create a more vibrant dynamic organization focused on results... La Releve sought to address workplace and work force problems exacerbated by the difficult fiscal circumstances of the mid-1990s.

\[123^{\text{Ibid.}}, 12.\]

\[124^{\text{Ibid.}}, 25.\]

\[125^{\text{Ibid.}}, 25.\]
The conclusion of the OAG in respect to these two initiatives and their stated intent is that despite some limited successes the results overall have fallen well short of expectations. The OAG acknowledges that more work is needed to improve areas such as modernizing and improving service to the public and making better use of performance information to strengthen programs, achieve desired results and account for performance.

*Public Service Management Reform: Progress, Setbacks and Challenges* offers some critical analysis of past reform initiatives that may in part lay the blame for past failures in this area. A most significant observation of the OAG relates to the performance and the importance to the process of deputy ministers. Past reform initiatives, specifically PS 2000 and La Relève have failed because of the ineffectiveness of deputy ministers. The OAG suggests that the role of deputy ministers is critical to the success or failure of any future initiatives. It was noted that:

Their role, particularly in human resource management, must continue to evolve. Collectively, they now play a significant role in shaping the corporate management agenda. Individually, they define departmental management initiatives and organize and lead the department's staff. They are responsible for establishing and maintaining management controls that meet centrally prescribed policies and standards. They are responsible for achieving results. And increasingly, they must assume responsibility and be held to account for creating an innovative and vibrant workplace peopled by highly skilled and committed workers, for it is through the efforts of those workers that results will be achieved.\(^{126}\)

From this analysis one could suggest that blame for past failures rests largely with the most senior levels of the public service, the deputy ministers. The OAG is not, despite

\(^{126}\)Ibid., 26.
these observations, overtly critical of former deputy ministers. It acknowledges that:

The deputy minister community, under the leadership of the Clerk of the Privy Council, has devoted considerable energy to some of these matters over the last decade. But given changing circumstances and revolving leadership, and despite good intentions, the results have been disappointing: much study, but little change.\textsuperscript{127}

Summary

This chapter has examined a number of significant OAG studies relating to the issue of public service reform. The most significant conclusion one can make about these issues is that they have received, and will continue to receive, the attention of the OAG. This suggests that the Auditor General will play a highly visible role in the discussion of future reform initiatives.

Four Decades of Reforms: Conclusion

The objective of this thesis was to study the involvement of the Auditor General in the proposal, implementation and review of major public service reform initiatives during a period spanning nearly forty years, from the early 1960s to 2001. This period began with the Glassco Commission and concluded at the end of the term in office of Auditor General Denis Desautels in 2001. It has been demonstrated throughout this work that the role of the OAG has varied from proponent to critic, and from instigator to

\textsuperscript{127}Ibid., 26.
reviewer. In the past forty years the OAG’s mandate has changed to meet the requirements of critical analysis of government operations and this has been aptly demonstrated in the office’s relationship to the issue of public service reform.

The OAG currently possesses the ability to offer policy advice to parliamentarians and policy makers, and to public servants. At the core of this policy advice are the many VFM audits carried out by the OAG on the issue of public service reform. As noted in Chapter One the OAG must acknowledge the limits of performance auditing, noting constraints on the public service at large. There exist critics of VFM auditing who suggest it represents a dangerous approach to governance and democratic ideals. This thesis has presented OAG VFM audits in a manner which suggests there are distinct advantages to such audits regardless of such perceived threats. Much of the value of VFM auditing stems from the consistency with which it has been applied.

Consistency is clearly demonstrated in regards to the issue of public service reform through the application of values analysis. Values have been articulated throughout the processes of public service reform and by the OAG in its VFM audits and other materials. For example Chapter One identified three key definitions that were necessary to maintain consistency in the OAG’s VFM audits, these were: economy, efficiency and effectiveness. Traditional public service values include the following: neutrality, accountability, efficiency, effectiveness, responsiveness, representativeness, equity, fairness and integrity. New emerging values include: service quality, teamwork, innovation, openness, and excellence. We have seen that the various reform initiatives
have prioritized different sets of these values at different periods of time. It is primarily these values which dominate the process of public service reform.

Table 1 demonstrates the process of reform from a values perspective over the period 1960-2001. It must be noted that included in this review of values analysis are qualities which have at times have been interpreted as values such as fiscal restraint during Program Review or the focus on results during IMAA. The focus of this thesis has been those values mentioned in the above paragraph, defined as traditional and new or emerging values. At this point in our research it is necessary to acknowledge that there remain other potential values that a public organization such as the public service may pursue.

Since June of 1992 the Clerk of the Privy Council has submitted an annual report, addressed to the Prime Minister, on the state of the public service. The seventh in this series of reports, released on March 31, 2000, acknowledged that the government had made a commitment to the federal public service by noting in the Speech from the Throne that the government intends:

to ensure that the Public Service of Canada remains a strong, representative, professional and non-partisan national institution that provides Canadians the highest quality service into the 21st century, the Government will also focus on the recruitment, retention and continuous learning of a skilled federal workforce.\(^{128}\)

Table 1.1

VALUES REFLECTED IN PUBLIC SERVICE REFORMS 1962-2001

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<tr>
<th>Glassco</th>
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Note: Those values presented in bold typeface indicate primary concerns of the OAG.

To fulfill this commitment, the government and the public service must meet a number of challenges. Several priorities noted in the Seventh Annual Report echo many of the concerns of the OAG. These priorities include the recognition that values play an integral role in sustaining the public service. The Clerk of the Privy Council, Mel Cappe, reiterates the work of the late John Tait in A Strong Foundation. Also noted by Cappe is the realization that accountability, performance assessment, effective control of public resources, sound risk management and the open reporting of results will remain critical aspects of governance.
There appears to be an emerging consensus as to the importance of articulating values-based reforms by many key players besides the Clerk of the Privy Council and the Auditor General. Critical to the success of any reforms is the role of senior public servants, particularly deputy ministers. The Auditor General has repeatedly stated that the success or failure of public service reforms depends on the active participation of the cadre of deputy ministers. Fortunately, according to a national survey of Deputy Ministers conducted by the Institute of Public Administration of Canada (IPAC) there is growing consensus on the issue of public service reform.129

This survey highlighted three priority issues which are driving the public sector management agenda namely: renewing the human resource dimension of the public sector; enhancing service delivery; and improving performance measurement and accountability. The first of these priorities is seen as the most crucial management issue. It is to be accomplished through: recruitment, retention, and succession planning; training, organizational learning and knowledge management; leadership development; values and ethics; building a healthy representative, people-centred workplace; and using technology to improve organizational performance.130

It appears that the climate for successful public service reforms has never been more favourable than at present and yet the OAG remains somewhat pessimistic.

At the completion of his ten year term as Auditor General Denis Desautels took


130 Ibid., 6.
the unprecedented step of tabling a final report summarizing the accomplishments and the concerns of his office. *Reflections on a Decade of Serving Parliament* focussed on issues that were priorities during his tenure as Auditor General. The report is critical of the lack of progress with regards to the management of human resources in the federal public service. Section III of the report deals specifically with the state of the public service.

The federal public service, according to Desautels, is Canada's largest, most diverse and perhaps most important employer. Fundamental to its success is its ability to sustain a high-quality work force. (This is an issue recently addressed in the OAG report on post-secondary recruitment.) The public service must be able to attract its share of the country's best and brightest. It must develop, retain and motivate its members to perform to their full potential. Unfortunately the federal public service has not been functioning well for a very long time.\(^{131}\) It was not functioning well as it entered the 1990's and despite two major initiatives, PS 2000 and La Relève, which aimed to resolve its problems it continues to perform poorly.

Much of what the Auditor General had to say on public service reform has already been noted in other OAG instruments and has been dealt with in this thesis. The issue of public service reform specifically is dealt with in the OAG report *Public Service Management Reform: Progress, Setbacks and Challenges* which was issued almost simultaneously with *Reflections on a Decade Serving Parliament*. The Auditor

General does offer a summation of reforms undertaken during his tenure.

Desautels does raise some important points in his final report that speak to the issue of future reforms. PS 2000 produced only limited results because weak application of its principles hindered progress. The Auditor General is succinct in describing why reforms like PS 2000 failed. He noted that:

...changing the management philosophy depended heavily on the personal leadership of senior officials, but there were no effective mechanisms to ensure that managers observed its basic principles. Furthermore, PS 2000 fell short of its objectives because it lacked a definitive strategy and concrete goals. In addition, financial restraint measures led to a public service strike and seriously weakened labour-management relations. The contradiction between financial restraints like a wage and salary freeze and the basic messages of PS 2000 generated employee cynicism about the depth of the government’s commitment to the reforms. 132

As noted earlier, leadership is a fundamental concern of the Auditor General with respect to the reform process. Of great importance to Canadian reforms in particular is the fact, as noted by Desautels, that:

public service reform has never been a high priority for politicians. Too often, initiatives to improve performance seem to have been interpreted as reflecting the demands of public servants rather than the concerns of other Canadians. These conditions were to doom a reform program that depended seventy percent on changing attitudes. 133

Peter Aucoin in “Comparative Perspectives on Canadian Public Service Reform in the 1990’s” notes that:

...few, if any, ministers saw political advantage in public service reform, although some saw political advantage in sniping at “bureaucracy”, a phenomenon that

132 Ibid., 12.

133 Ibid., 12.
was prominent internationally, especially in the Anglo-American systems, during the 1980s and into the 1990s.\footnote{\textup{Aucoin, Peter. "Comparative Perspectives on Canadian Public Service Reform in the 1990s," \textit{Public Service Management Reform: Progress, Setbacks and Challenges}. Office of the Auditor General of Canada, February 2001, 67.}}

Program Review and other government cutbacks in the mid-1990s had a substantial impact on the public service and greatly affected the potential for reform. This period witnessed significant downsizing. The Auditor General notes that:

management’s attention focussed largely on the fair treatment of staff who left as a result of work force reductions. While the downsizing did not generate much labour strife, the environment was not conducive to the human resource management reforms intended by PS 2000.\footnote{\textup{Desautels, Denis. Reflections on a Decade of Serving Parliament, 12.}}

Downsizing created an environment in which those public servants who remained in the public service were subjected to stress and increased, if not impossible, workloads. In terms of employee motivation and morale, the public service was at an all time low.

The other major reform initiative undertaken during the term of Denis Desautels was La Relève. It has already been noted in this thesis that Desautels pronounced the death of this initiative. However, issues given priority in La Relève remain relevant - recruitment, workplace well-being, and learning and development. These will dominate any future initiatives that may succeed La Relève.

\textit{Public Service Management Reform: Progress, Setbacks and Challenges} represents a watershed in the work of the OAG on the issue of public service reform. The existence of this report suggests that the OAG views this issue as a continuing concern. The history of public service reform in Canada is still being written. This report
was undertaken, according to the outgoing Auditor General Denis Desautels as part of the OAG's ongoing efforts to nurture performance improvement. According to Desautels:

...it provides a broad assessment of progress under the main themes and objectives of public service management reforms during the 1990s, or perspective on the challenges the government faces in moving forward, and our views on the prerequisites for success.\textsuperscript{136}

In short it is intended to lead current and future management reform efforts and to facilitate or encourage needed changes. It is intended to create and sustain interest in public service reform. This study examined PS 2000 and La Relève and current efforts to continue the process based on these initiatives.

\textsuperscript{136}Ibid., 6.


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<tr>
<th>Abbreviation</th>
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<tbody>
<tr>
<td>CCMD</td>
<td>Canadian Centre for Management Development</td>
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<tr>
<td>IMAA</td>
<td>Increased Ministerial Authority and Accountability</td>
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<tr>
<td>IPAC</td>
<td>Institute of Public Administration of Canada</td>
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<td>OAG</td>
<td>Office of the Auditor General</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<tr>
<td>PPBS</td>
<td>Planning, Programming and Budgeting System</td>
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<td>PSEA</td>
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<td>VFM</td>
<td>Value-for-Money Auditing</td>
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